



OAKLAND UNIFIED
SCHOOL DISTRICT

expect **Success**

2008-09 1st Interim Financial Report

Wednesday, December 10, 2008

Financial Services Team

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

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

- Status of California State Budget
- General Fund Overview
- Special Reserve (Emergency Loan) Overview
- Key Budget Indicators
- Multi-Year Budget Projections
- Cash Flow

Status of California State Budget

Since update on budget crisis on November 19th:

- Governor has declared a state of Fiscal Emergency which calls for the Legislature to take action within 45 days.
- Governor's proposal include deep cuts to unrestricted funds and flexibility proposals
- State budget deficit has grown to approximately \$13 billion from \$11.5 billion in the month of November.
- This interim does NOT reflect the impact of these proposals.

Governor's Proposed Budget Reductions

- The estimated state budget deficit for the current year (2008-09) is at least \$13 billion; for the coming year (2009-10) the deficit is another \$13 billion.
- Half of the Governor's proposed solution to address the budget deficit in 2008-09 is targeted spending cuts, including education. A **\$2.5 billion** revenue reduction to K-14 education has been proposed.
- This translates into approximately a \$12 million reduction in current year funds for OUSD.

Summary of Suggested Actions

To Mitigate Potential Mid-Year Cuts

Proposed Action	Est. Savings
Pay-off Series J COPs lease-revenue bonds	\$680,000
Categorical Carryover <u>Already Held</u> for Flexibility	?? \$4,000,000
Categorical Carryover <u>Already Allocated</u> to Central	?? \$3,000,000
Controlled Hiring Freeze for Central Office and non-teacher school Employees and Professional Services	\$655,000
Reduce utility and energy costs	TBD
Institute energy and recycling reviews	TBD
Out-of-state employee travel and conferences	\$400,000
Reduce Ending Fund Balance for 2008-09	?? \$2,000,000
Reduce 2008-09 Budget at School Sites	TBD
Total	?? \$10,735,000

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Unrestricted General Fund Overview

	Adoption	1st Interim	Difference
Beginning Fund Balance	\$21,069,600	\$19,585,682	(\$1,483,918)
Revenue Limit	\$205,380,725	\$203,225,045	(\$2,155,680)
Other Revenue	\$50,902,628	\$53,739,235	\$2,826,607
Total Revenue	\$256,283,353	\$256,964,570	\$681,217
Salaries, Benefits, Books, Supplies, Services, and Capital Outlay	\$227,305,314	\$233,839,628	\$6,534,317
Transfers In	(\$124,269)	(\$4,613,015)	(\$4,488,746)
Contributions	\$27,910,521	\$32,210,521	\$4,300,000
Total Expenditures	\$255,091,563	\$261,437,133	\$6,345,571
Net Increase/(Decrease)	\$1,191,790	(\$4,472,564)	(\$5,664,354)
Ending Fund Balance	\$22,261,390	\$15,113,118	(\$7,148,272)

General Fund Review

Explanation of Major Changes to Unrestricted

	Budgeted Increase in Fund Balance as of 2008-09 Budget Adoption	\$1,192K
<i>Revenue</i>	Additions/Restatements (see slide #12)	\$681K
<i>Expense</i>	Expenditure Increases such as salary, benefits, books, supplies, etc. (see slide #13)	(\$6,534K)
	Transfers In (see slide #14)	\$4,489K
	Increased Contribution to Special Education (see slide #14)	(\$4,300K)
	Budgeted Deficit as of 1st Interim (December 2008)	(\$4,473K)

General Fund Review

Explanation of Major Changes to Unrestricted

Revenue Limit	Amount
Decreased revenue for students attending charter schools	(\$2,746,036)
Prior Year Audit Findings	(\$730,542)
0.68% COLA (Included in final State Budget)	\$1,467,920
Other revenue limit	(\$146,742)
Subtotal	(\$2,155,400)

Federal, State, and Local Revenue	Amount
K-3 Class Size Reduction	\$818,751
Lottery – Unrestricted	\$452,127
Supplemental Instruction Programs	\$408,330
Medical Admin Activity (MAA) reimbursement	\$1,105,000
Other federal and local	\$42,399
Subtotal	\$2,826,607

TOTAL	\$681,217
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General Fund Review

Explanation of Major Changes to Unrestricted

Expenditure Increases	Amount
School site budget increases due to higher enrollment	\$1,940,000
K-3 Class Size Reduction to schools	\$818,000
Measure E Carryover to schools	\$900,000
Central Office compliance and legal mandates	\$1,229,573
Other Central Office budget increases*	\$1,055,648
State Loan Drawdown	\$591,096
TOTAL	\$6,534,317

* - Central Office budget increases include: two staff and an additional Lifescan machine for fingerprinting in Human Resources; payment of late received 2007-08 invoices; increase to the OAL budget; adjustment for Buildings and Grounds lead positions; printing and supplies; additional staff member and supplies for Board of Education budget

General Fund Review

Explanation of Major Changes to Unrestricted

Outgo, Transfers, and Sources/Uses	Amount								
Indirect Cost/Other Outgo	\$2,293,471								
Transfers In from Fund 17: Emergency State Loan	\$2,195,275								
<ul style="list-style-type: none"> • Prior Year Audit Findings <table style="margin-left: 20px; border: none;"> <tr> <td style="padding-left: 20px;">EAAP Settlement from FCMAT Recommendation</td> <td style="text-align: right;">\$300,000</td> </tr> <tr> <td style="padding-left: 20px;">Mandated Claim (2000-01 FY) Audit</td> <td style="text-align: right;">\$873,636</td> </tr> <tr> <td style="padding-left: 20px;">2002-03 EAAP Audit Finding</td> <td style="text-align: right;">\$611,856</td> </tr> <tr> <td style="padding-left: 20px;">2003-04 EAAP Audit Finding</td> <td style="text-align: right;">\$118,686</td> </tr> </table> • IFAS Upgrade 	EAAP Settlement from FCMAT Recommendation	\$300,000	Mandated Claim (2000-01 FY) Audit	\$873,636	2002-03 EAAP Audit Finding	\$611,856	2003-04 EAAP Audit Finding	\$118,686	\$291,096
EAAP Settlement from FCMAT Recommendation	\$300,000								
Mandated Claim (2000-01 FY) Audit	\$873,636								
2002-03 EAAP Audit Finding	\$611,856								
2003-04 EAAP Audit Finding	\$118,686								
TOTAL	\$4,488,746								

Outgo, Transfers, and Sources/Uses	Amount
Increased Contributions to Special Education	\$4,500,000
Reduced Contributions to Community Day School	(\$200,000)
TOTAL	\$4,300,000

Components of Ending Fund Balance

Unrestricted General Fund

	Adopted Budget	1st Interim
Projected Ending Fund Balance	\$22,261,390	\$15,113,118

Components of Ending Fund Balance	Adopted Budget	1st Interim
Reserve for Economic Uncertainty (2%)	\$8,521,358	\$9,325,965
Revolving Cash and Prepaid Expenses	\$150,000	\$150,000
Audit Findings	\$3,000,000	\$2,637,153
Enrollment Adjustments	\$2,000,000	\$0
Mid-Year Budget Cuts	\$0	\$2,000,000
Measure E	\$0	\$1,000,000
Unappropriated Amount	\$8,090,031	\$0

Restricted General Fund Overview

	Adoption	1st Interim	Difference
Beginning Fund Balance	\$3,965,857	\$22,011,557	\$18,045,700
Revenue Limit	\$10,022,951	\$10,153,583	\$130,632
Other Revenue	\$156,487,358	\$174,107,749	\$17,620,391
Total Revenue	\$166,510,309	\$184,261,332	\$17,751,023
Salaries, Benefits, Books, Supplies, Services, Capital Outlay	\$184,695,481	\$222,335,497	\$37,640,016
Outgo and Transfers	\$7,459,732	\$8,955,509	\$1,495,776
Contributions	(\$27,910,521)	(\$32,210,521)	(\$4,300,000)
Total Expenditures	\$164,244,692	\$199,080,484	\$34,835,792
Net Increase/(Decrease)	\$2,265,617	(\$14,819,152)	(\$17,084,769)
Ending Fund Balance	\$6,231,473	\$7,192,405	\$960,932

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2008-09 1st Interim

Fund 17: Special Reserve (Emergency Loan) Fund

	Adoption	1st Interim	Difference
Beginning Fund Balance	\$29,125,980	\$28,813,689	(\$312,291)
Other Revenue	\$1,208,101	\$1,607,985	\$399,884
Total Revenue	\$1,208,101	\$1,607,985	\$399,884
Outlay, Outgo, and Transfers	\$3,302,903	\$9,918,177	\$6,615,274
Total Expenditures**	\$3,302,903	\$9,918,177	\$6,615,274
Net Increase/(Decrease)	(\$2,094,802)	(\$8,310,192)	(\$6,215,390)
Ending Fund Balance	\$27,031,178	\$20,503,408	(\$6,527,770)

** - Change in total expenditures of \$6.6 million is comprised of: (1) transfer into Fund 01 for audit finding liabilities and IFAS upgrade (complete list on slide 14) and (2) payoff of COPs debt.

Components of Ending Fund Balance

Special Reserve (Emergency Loan) Fund

	Adoption Budget	1st Interim
Projected Ending Fund Balance**	\$27,031,178	\$20,503,408

Components of Ending Fund Balance	Adoption Budget	1st Interim
2003-04 EAAP Audit Finding ADA Reduce		\$768,343
IFAS Upgrade Reserve (originally \$7 million)		\$3,183,573
Drawdown Balance	\$27,031,178	\$16,551,492

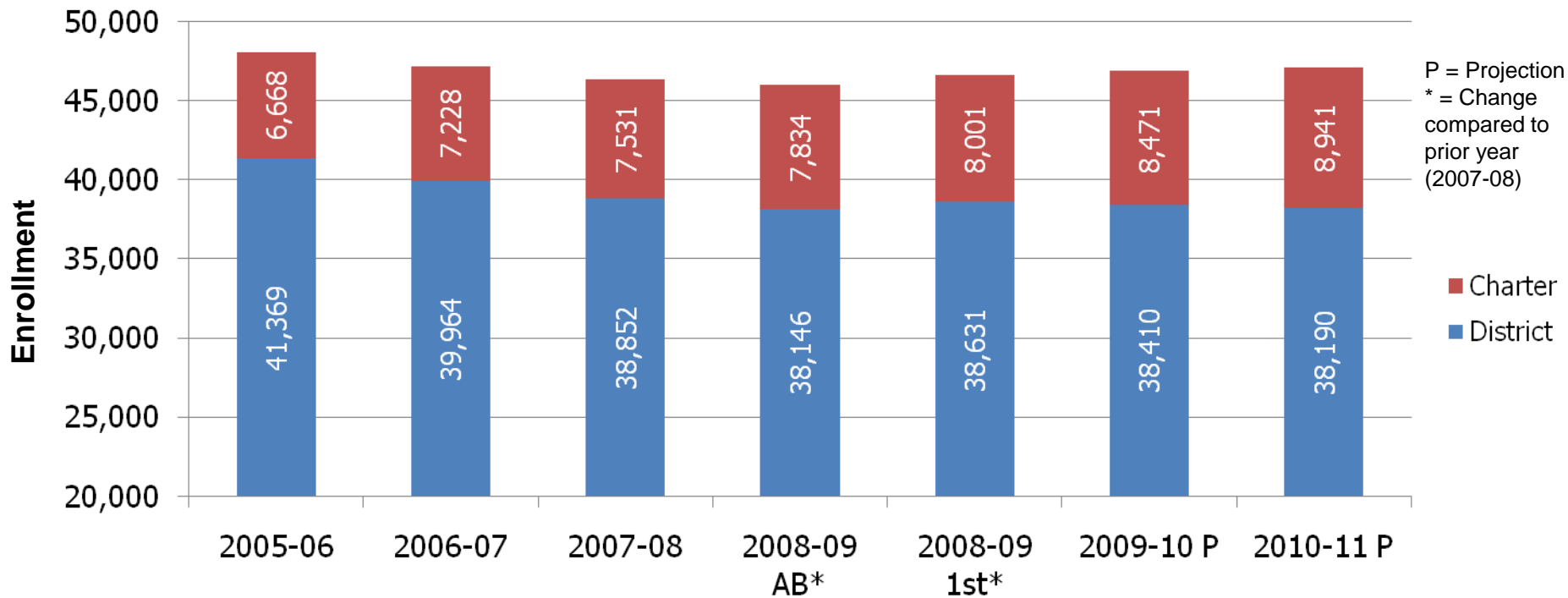
** - The projected ending fund balance for the Emergency Loan Fund is understated for the following reason. The terms for the payoff of variable interest Certificates of Participation (COPs) earlier this fall stated that Fund 25 would reimburse Fund 17 in the 2009-10 and 2010-11 fiscal year for the full amount that was contributed to pay the outstanding principal on the COPs. That amount is \$4.4 million.

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Enrollment & ADA Over Time

Key Budget Indicators



P = Projection
 * = Change compared to prior year (2007-08)

Charter
 District

Change in Charter enroll	2,543	560	303	303	470	470	470
Change in District enroll	(3,720)	(1,675)	(1,112)	(706)	(221)	(221)	(221)
Anticipated District ADA %	93.4%	93.6%	94.5%	94.3%	94.3%	94.3%	94.3%

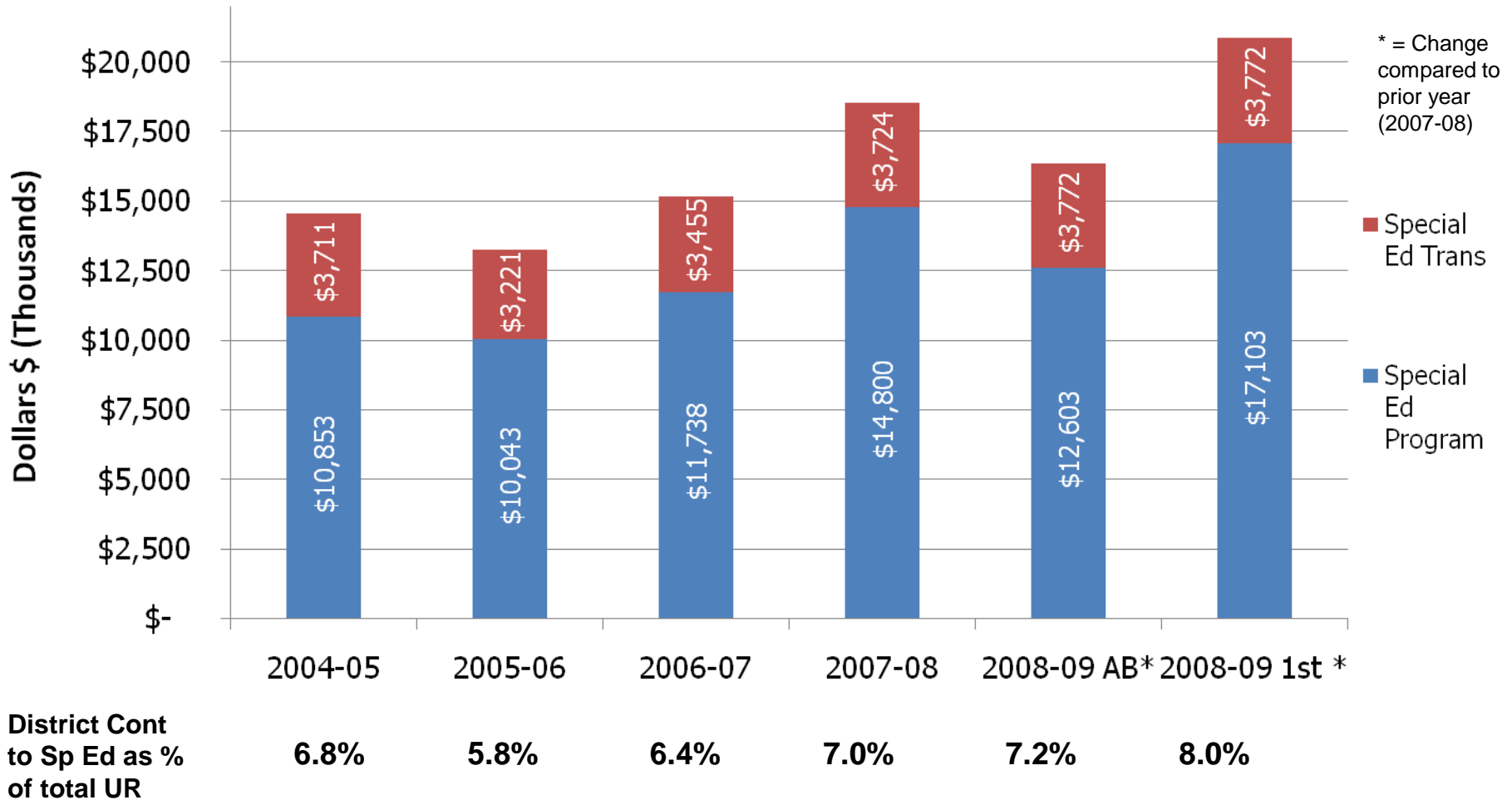
expect **Success** every student. every classroom. every day.

Enrollment Trends

- For the second year, decline in District enrollment is slowing – loss of 221 students since 2007-08
- Charter school enrollment continues to grow – increase of 470 students since 2007-08
- Students coming back to OUSD are from either outside the district or private schools
- Shift in revenues in 2008-09 was the result of higher overall District enrollment than anticipated at the adoption budget

Special Education Contribution

Key Budget Indicators



District Cont to Sp Ed as % of total UR

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Special Education

Increased Contribution from Unrestricted

Increased contribution to special education was needed to cover additional costs in the department due to:

1. Large increase in non-public school/agency contracts
 - Spending on NPS/NPA contracts jumped by \$3.0 million between 2005-06 and 2007-08.
2. Shift in the type of students being served from lower- to higher-need disabilities requiring support from intervention specialists and speech therapists.

Special Education

Proposed Action Plan

Work with Special Education, Finance, and HR to identify a range of options to serve this shifting student population in the most cost-effective manner. Some of these may include:

1. Strengthen **internal fiscal/operational controls** for department.
 - Focus on NPA/NPS contract and financial mgmt by program.
2. Review and revise **attendance and ADA reporting process** for students served under NPA/NPS contracts.
3. Consider **redesign of assignments** for resource specialists and instructional aides.
4. Support signing of **mandated cost claim settlement** that will release additional special education funds in 2009-10.
5. Develop **modified program opportunities** to recover NPA/S referrals into the District.

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Multi-Year Budget Projections

Unrestricted General Fund for 2008-09 to 2010-11

Unrestricted General Fund	2008-09 1st Interim	2009-10 Projected	2010-11 Projected
Beginning Fund Balance	\$19,585,682	\$15,113,118	\$12,397,482
Revenues	\$231,587,216	\$229,884,413	\$236,147,176
Expenses	\$236,059,780	\$232,600,049	\$231,898,781
Net Increase/(Decrease)	(\$4,472,563)	(\$2,715,635)	\$4,248,395
Ending Fund Balance	\$15,113,118	\$12,397,483	\$16,645,878
Designation for Economic Uncertainty (2%)	\$9,325,964	\$8,907,558	\$8,851,829

Multi-Year Budget Projections

Budget Projection Facts

- Funded cost of living adjustment (COLA) for 2009-10 is presumed to be 0%; 2010-11 is 3.50% but the expense has been reserved in ending fund balance
- The District meets mandatory 2% reserve; however, ending fund balance is decreasing until 2010-11
- These projections DO NOT include impact of Governor's budget proposal

Multi-Year Budget Projections

Restricted General Fund for 2008-09 to 2010-11

Restricted General Fund	2008-09 1st Interim	2009-10 Projected	2010-11 Projected
Beginning Fund Balance	\$22,011,557	\$7,192,405	\$5,711,110
Revenues	\$218,565,636	\$211,296,537	\$211,452,855
Expenses	\$233,384,788	\$212,777,831	\$210,692,753
Net Increase/(Decrease)	(\$14,819,152)	(\$1,481,295)	\$760,202
Ending Fund Balance	\$7,192,405	\$5,711,110	\$6,471,312

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Cash Flow Analysis: 2008-09

ACTUAL CASH BALANCE	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008
Beginning Cash	42,516,368	10,397,994	5,230,929	9,757,295	52,219,707	56,665,809
Total Receipts	931,937	3,919,473	30,618,953	72,499,666	41,701,913	41,760,353
Total Disbursement	(10,862,491)	(13,159,779)	(36,295,938)	(37,625,659)	(36,786,371)	(48,619,015)
A/R and A/P	(22,187,820)	4,073,241	10,203,351	7,588,405	(469,440)	(4,468,484)
Net Increase/Decrease	(32,118,374)	(5,167,065)	4,526,336	42,462,412	4,446,102	(11,327,146)
Ending Cash	10,397,994	5,230,929	9,757,295	52,219,707	56,665,809	45,338,663

Cash Flow Analysis: 2008-09

ACTUAL CASH BALANCE	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
Beginning Cash	45,338,663	39,857,298	32,148,933	16,215,866	20,134,649	8,648,908
Total Receipts	41,760,353	35,271,015	34,852,872	51,165,989	35,200,395	54,988,738
Total Disbursements	(48,619,015)	(48,619,015)	(48,619,015)	(48,619,015)	(48,619,015)	(48,619,015)
A/R & A/P	1,377,297	5,639,635	(2,166,924)	1,371,809	1,932,879	32,832,928
Net Inc/Dec	(5,481,365)	(7,708,365)	(15,933,067)	3,918,783	(11,485,741)	39,202,651
Ending Cash	39,857,298	32,148,933	16,215,866	20,134,649	8,648,908	47,851,559

Key Takeaways

- As a result of the economic recession, the state is experiencing a budget crisis that will continue through at least 2009-10.
- Certification for this 1st interim is Positive; however, because of unresolved audit issues and likelihood of mid-year cuts the District will self-certify Qualified.
- The District does meet the mandatory reserve for economic uncertainty requirement (2%) in the current and two subsequent years.

Key Takeaways (cont.)

- Student enrollment is not declining as rapidly as anticipated – decrease of only 221 students over prior year.
- District's ending fund balance decreased by \$5.7 million primarily to increases in the Special Education budget.
- Address the rising contribution to Special Education.

Thank You.

QUESTIONS?