

Oakland Unified School District Board of Education Retreat

October 7, 2017

Presented by

Ron Bennett
Chief Executive Officer

**School
Services
of California**
INC. TM
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OUSD Board of Education Retreat

Saturday, October 7, 2017

9:00 a.m. – 3:00 p.m.

La Escuelita Committee Room

A. Welcome and Overview

B. Budget Development Workshop

Facilitated by: Ron Bennett, School Services of California

Goal: Board members will review and discuss best practices for budget review and development.

Topics will include the following:

- Enrollment Projections
- Multiyear Projections and Assumptions
- Ending Fund Balance and Cash
- Staffing

C. Budget Workshop, Part II: 2017/18 Budget Adjustments

Goal: BOE will review recommendations by Budget and Finance Committee and staff and provide clear direction to the Superintendent regarding any necessary 2017/18 budget adjustments.

*Lunch

D. Afternoon Session: Theory of Action Discussion and Workshop

Facilitated by Allan Alson and Barbara Anderson from the Panasonic Foundation

Guiding Questions:

- 1) How will the Board achieve its vision for Oakland Public Schools?
- 2) Current State, Future State. How do we get to where we want to be?
- 3) What is our theory of action to get to this future state?

E. Core Values and Getting to Our Future State

Facilitated by Victor Carey, National Equity Project

Guiding Questions:

- 1) How do our core values align with our theory of action?
- 2) What changes do we need to make to get to where we want to be?
- 3) How will our values guide budget development and school portfolio planning?
What agreements will we adopt to guide this work?

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F. Next Steps and Calendar Planning

What is our next step in theory of action development?

How will our work align with the Blueprint for Quality, Budget Development, and Enrollment Strategy?

Table of Contents

Oakland Unified School District Board of Education Retreat

October 7, 2017

La Escuelita Committee Room

Agenda

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- Fiscal Oversight (PowerPoint)
- Alameda COE Letter re: 2016-17 Fiscal Report (AB 139)
- Resolution Template for Confirming District's Commitment to Fiscal Solvency

Enrollment Projections

- OUSD Superintendent Letter Executive Summary Report, 2017 Enrollment Counts Day 20
- OUSD 2017-18 Enrollment Summary of 20th Day Counts (PowerPoint)

Multiyear Projection

- SACS Form MYP—General Fund Multiyear Projections Restricted/Unrestricted
- OUSD 2016-17 Unaudited Actuals Closing of the Books (PowerPoint)

Ending Balance and Cash

- SACS Form CASH—2017-18 Budget Cash Flow Worksheet – Budget Year

Staffing

- Historical Costs and Staffing (PowerPoint)

FCMAT Report

- OUSD Fiscal Health Risk Analysis—August 15, 2017

Oversight of the Budget

Oakland Unified School District

Fiscal Oversight

October 7, 2017



Presented by

Ron Bennett
Chief Executive Officer



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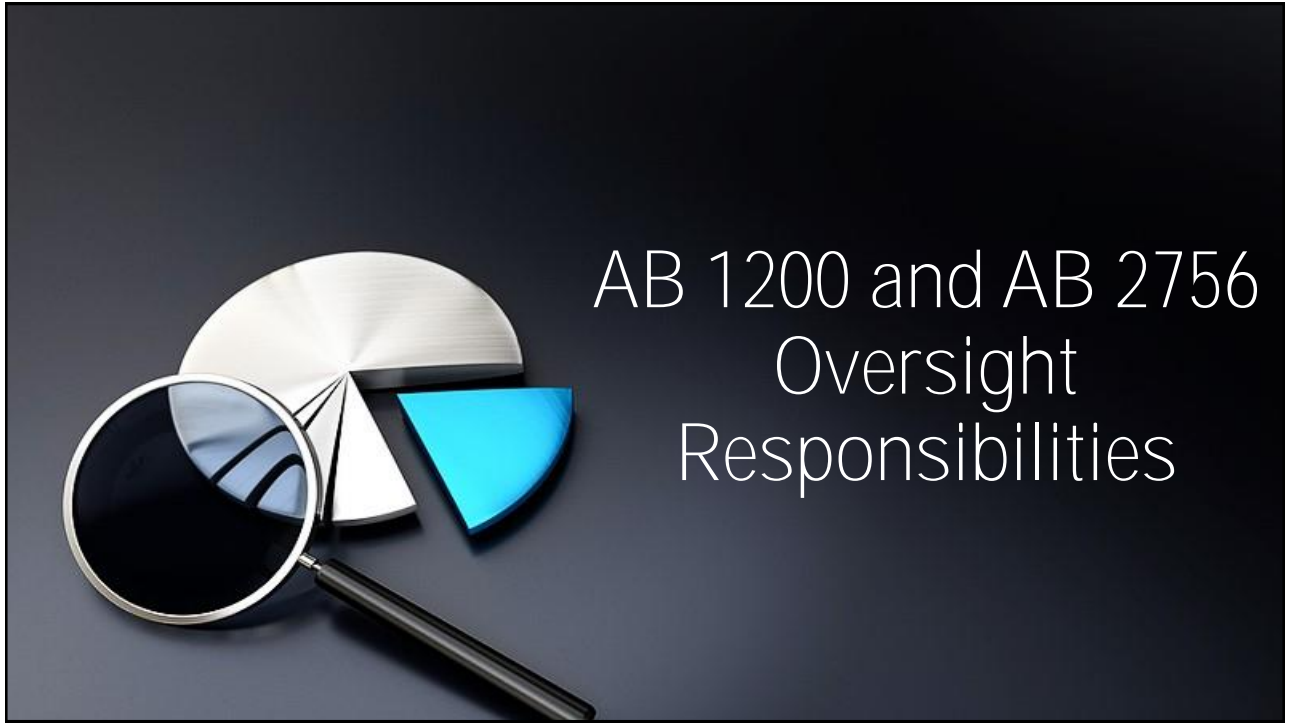


Overview


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- Assembly Bill (AB) 1200 and AB 2756 Oversight Responsibilities
- Negotiations
- Adopted Budget
- Next Steps



AB 1200 and AB 2756 Oversight Responsibilities



AB 1200 Oversight Responsibilities

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- **AB 1200 sets financial standards for school districts and includes enough “teeth” to assure enforcement**
- AB 1200 was enacted in response to a number of near bankruptcies, requests for state loans, or defaults on school district financial obligations
- AB 1200 created the Fiscal Crisis & Management Assistance Team (FCMAT)
- AB 1200 empowered county offices of education (COEs) with fiscal oversight to:
 - Approve or disapprove annual budgets
 - Initiate action if financial problems are discovered
 - Lower interim reporting self-**rating from “positive” to either “qualified” or “negative”**
 - Appoint a fiscal advisor or more stringent measures



AB 1200 Oversight Responsibilities

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- The COEs **are now the “first line of defense” to protect the state from liability for school district** financial problems
- AB 1200 also allows COEs to place restrictions on school boards and superintendents if the budget is rejected
- But some districts discover that problems are too big or recognized too late for the COE to help resolve
- So AB 1200 also anticipates that the State Superintendent of Public Instruction, the Legislature, and ultimately the Governor may also have to play a role



AB 2756 Oversight Responsibilities

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- Just as AB 1200 was in response to emergency loans and districts in financial crisis – so was AB 2756
- AB 2756 increases oversight at all levels
 - Districts must be careful:
 - The Chief Financial Officer and Superintendent must sign collective bargaining disclaimers and certify they are affordable
 - Must allow more time for COE review
 - Cuts must be acted on by the Board



AB 2756 Oversight Responsibilities

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- County Superintendent must take action:
 - Conditional approval of weak budgets
 - Earlier intervention
 - Must qualify or make negative if procedures are not followed
 - Must take action to correct deficiencies
- FCMAT has an increased role
 - Greater support for districts and COEs
 - Hands-on assistance to troubled districts
 - More training and professional development to avoid crisis
- We take this oversight seriously



The Impact of AB 1200 and AB 1708


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- Since 1992, multiyear budget projections have been required by law
 - AB 1200 lacked specifics, but the thrust was clear
 - **To be approved, a district budget must meet “financial obligations both in the current fiscal year and with respect to the district’s multiyear financial commitments . . .”**
 - Interim reports had to meet the same multiyear standards
 - **AB 1708 (Chapter 924/1993, clarified exactly what was meant by the term “multiyear” (ref. Education Code Section [E.C.] 42131)**
 - For budget approval, must show solvency by meeting standards and criteria in budget year and next succeeding fiscal year
 - For positive interim report, must meet standards and criteria for budget year and two succeeding fiscal years



Negotiations



Understanding the EERA

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- The Employer-Employee Relations Act (EERA)
 - Otherwise referred to as the Rodda Act, Senate Bill 160
 - Senator Albert Rodda had been a high school teacher
 - Signed by then-Governor Jerry Brown in 1975
 - Effective January 1, 1976
 - Added Government Code Sections 3540-3549
 - Implemented collective bargaining for school employees
 - Management and confidential employees are specifically excluded



Understanding the EERA

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- What is the objective for your agency under the EERA?
 - Maintain comparable compensation and working conditions in order to be able to attract and retain quality employees
 - **Within the district's ability to pay**
 - Balanced with the needs of students
- Employee organizations represent employees – **not “public education”**
- The district is responsible for representing the needs of the public and the students



The Negotiations Process

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- The parties should establish a process for contract negotiations in collaboration with each bargaining unit
 - Timelines and ground rules
 - Interest-based bargaining or traditional?
 - Information to be exchanged
 - Team membership and release time
 - Include outside experts?
 - Include a finance person and site administrator and/or supervisor representative(s) on **the district's collective bargaining team**
 - Discuss release of information to external parties



The Negotiations Process

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- Allow plenty of time for education of both teams on all of the issues
 - Many districts are finding that study sessions are helpful for both teams
 - The Local Control and Funding Formula (LCFF) is complicated and requires more time for discussion
- Be sure your side of the table is well prepared
 - And provide the information needed to prepare the union
- Agreement on facts and calculations up front will make the negotiations go smoother
- Be sure the bargaining metrics are consistent with the Criteria and Standards
- Calculate the cost of growth or decline in enrollment
- Plan for eliminating deficit spending should be discussed if budget still contains deficits



The Negotiations Process

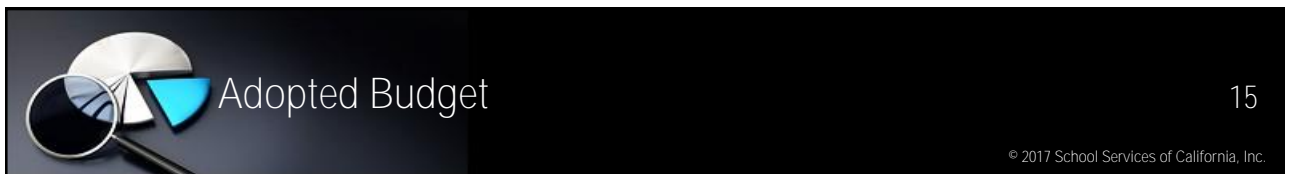
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- Once there is a tentative agreement, follow through in a timely manner:
 - Complete the collective bargaining disclosure for the COE
 - Get ratification from the union and board as soon as practical
 - Implement the provisions as soon as practical, and keep bargaining unit leadership informed of progress as well as the Board
 - Prepare and distribute updated collective bargaining agreements (CBAs) to unit members



2017-18 Adopted Budget



Adopted Budget

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- E.C. 42127 requires a school board to annually adopt a budget in a public meeting
 - Accomplished via the June 20 meeting
- The budget must be sent to the COE not later than five days after adoption, or July 1, whichever occur first
- The COE shall perform the following steps:
 - Examine the adopted budget for compliance with standards and criteria pursuant to E.C. 33127
 - Determine whether the adopted budget allows the district to meet its financial obligation during the year



Adopted Budget

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- **On or before September 15, the COE shall do one of the following with regard to the district's budget:**
 - Approve
 - Conditionally approve
 - Disapprove
- **If the COE's review determines that the district's budget does not meet the standards on the previous slide, they shall either conditionally approve, or disapprove the budget**
- A letter is sent to the governing board explaining the reason for the action taken if it is other than approval

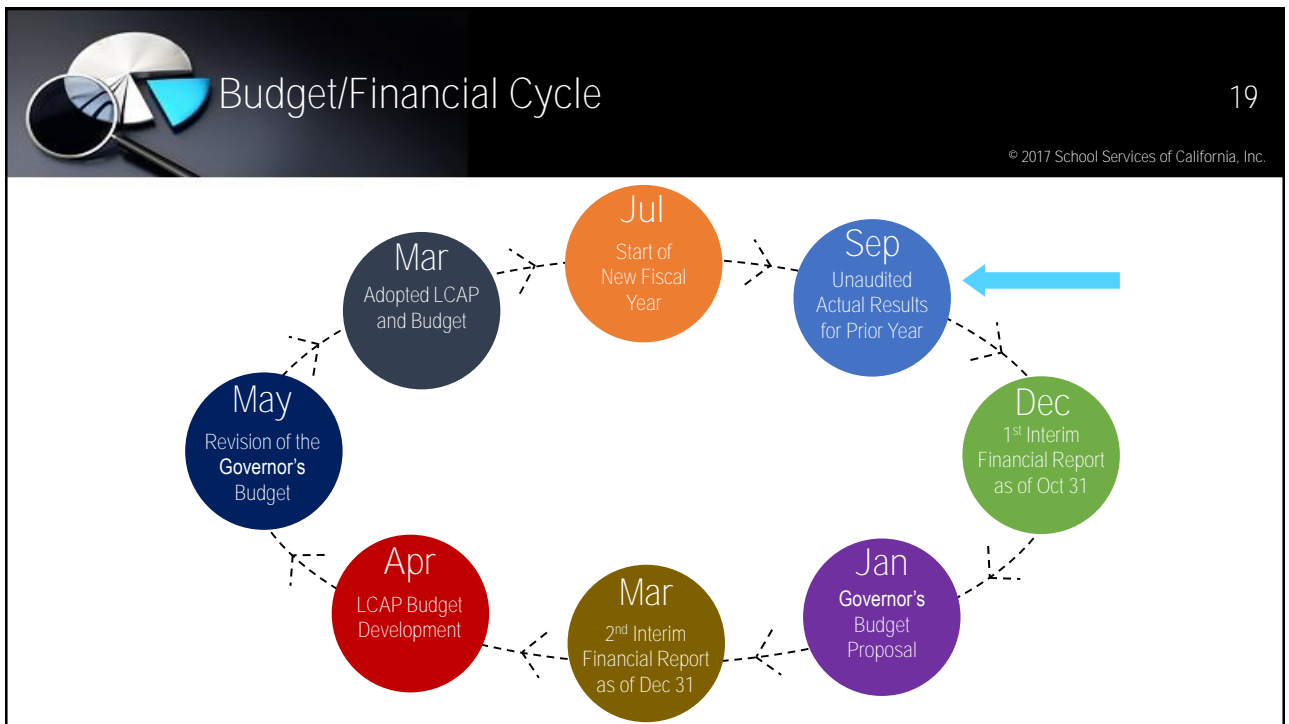


Adopted Budget

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- **On or before October 8, the district's governing board shall review and respond to the letter issued by the COE**
 - The response shall include any revisions to the adopted budget and other proposed action to be taken, if any
- On or before October 22, the COE shall examine the responses and revised budget for the following:
 - Compliance with standards and criteria
 - Allows the district to meet its financial obligations
 - Satisfies other conditions established by the COE
 - Is consistent with a financial plan to satisfy multiyear commitments
- On or before November 8, the revised budget shall be approved or disapproved





Interim Reporting

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- District will be required to submit its First Interim to the COE by December 15.
 - Includes actual expenditures through October 31
- Submission includes a self certification with three options:
 - Positive – District certifies that based upon current projections this district will meet its financial obligations for the current and subsequent two fiscal years
 - Qualified – District certifies that based upon current projections this district may not meet its financial obligations for the current and subsequent two fiscal years
 - Positive – District certifies that based upon current projections this district will be unable to meet its financial obligations for the current and subsequent fiscal years



Interim Reporting

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- Although the District self-certifies, the COE will review the certification and has the option of changing the certification
- Accurate, honest certification allows the District to get any needed help





Conclusions

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- The information in this PowerPoint was provided to illustrate the relationship of COE oversight, **interim financial reporting, and the District's financial projections relative to collective bargaining**
- The immediate future be shaped by the decisions of the Board
- The Board should consider the COE as an ally, and a certification other than positive is the first step in identifying and correcting a budgetary imbalance that has been present for several years

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Thank you



Alameda County Office of Education

L. Karen Monroe
Superintendent

September 15, 2017

James Harris, President
Board of Education
Oakland Unified School District
1000 Broadway, Suite 680
Oakland, CA 94607

RE: 2016-17 Fiscal Report (AB 139)

Dear President Harris:

Pursuant to the provision of Education Code (EC) Section 1240(e) the County Superintendent is required to present an annual report to a school district's governing board and the Superintendent of Public Instruction regarding the fiscal solvency of any school district with a disapproved budget, qualified or negative interim certification, or that has been determined at any time during the year to be in a position of fiscal uncertainty pursuant to EC Section 42127.6. The following annual report on the fiscal solvency of the Oakland Unified School District for fiscal year 2016-17 is generated as a result of the District's qualified 2016-17 First and Second Interim certifications.

Approved Budget

The District submitted the 2016-17 Adopted Budget to the Governing Board on June 29, 2016. It was submitted for review by the Alameda County Office of Education (ACOE) on June 30, 2016. The budget, as adopted, projected that the District would meet the recommended two percent Reserve for Economic Uncertainties (REU) for the 2016-17 through 2018-19 fiscal years, and ACOE approved the 2016-17 Adopted Budget as submitted.

Qualified Interim Report Certifications

ACOE did not concur with the District's positive certification for the 2016-17 First Interim Report, based on concerns that the District started the year in the Unrestricted General Fund in a worse fiscal position than anticipated at Adopted Budget. ACOE did concur with the District's self-qualified certification for the 2016-17 Second Interim Report. (Note that there is no certification requirement for the financial report due to ACOE on June 1, commonly known as "Third Interim".)

BOARD OF EDUCATION

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313 W. Winton Ave.
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Deficit Spending

Deficit spending increased from \$12.6 million at First Interim to \$16.7 million at Third Interim. However, the deficit spending at each reporting period was primarily due to increases in expenditures related to restricted programs.

The table below is a summary of the data submitted by the District for each of the 2016-17 reporting periods.

2016-17 General Fund Summary - Unrestricted and Restricted

	Adopted Budget	1st Interim	2nd Interim	3rd Interim
Beginning Balance	27,979,235	34,502,695	34,501,695	34,501,695
Total Revenue	519,936,332	526,720,811	535,141,002	538,507,861
Total Expense	518,643,144	536,125,026	545,587,223	551,532,997
Other Sources / (Uses)	(1,055,423)	(3,183,729)	(3,183,729)	(3,621,828)
Surplus / (Deficit)	237,765	(12,587,945)	(13,629,950)	(16,646,964)
Restatement Entry			392,864	392,864
Total Fund Balance	28,217,000	21,914,751	21,264,609	18,247,596
Unrestricted Fund Balance	17,688,160	10,977,897	11,278,044	8,431,472
Unrestricted Reserve for Revolving Cash & Other Designations	7,282,908	177,019	150,000	150,000
Unrestricted Undesignated Reserve	0.00	0.00	0.00	0.00
Designated Reserve for Economic Uncertainties (REU)	10,405,253	10,800,878	11,128,044	8,281,472
REU @ 2% minimum	10,405,253	10,800,878	10,990,122	11,120,037

Average Daily Attendance (ADA)

The District’s ADA projection decreased from 35,909.72 at the Adopted Budget to 34,968.00 at the First Interim Report (i.e., a loss of 941.72 ADA). The Second Interim Report projected ADA to further decline to 34,941.46 ADA. However, the District’s revised P-2 ADA for fiscal year 2016-17 was 34,950.92.

Cash Flow Concerns

On August 24, 2016, the Board approved Resolution 1617-0035 authorizing the temporary borrowing of cash from the Alameda County Treasurer as needed for cash flow purposes. On November 23, 2016, the District borrowed \$26 million from the Alameda County Treasurer and obligated itself to repay the loan by April 30, 2017. The loan provided the liquidity needed to ensure sufficient cash availability to meet General Fund obligations through the end of fiscal year

2016-17. On the Third Interim Report, the District projected ending cash of approximately \$10.1 million as of June 30, 2017.

As a reminder, any approved cash borrowing transfers must be made prior to experiencing any negative cash balances, and the District must ensure sufficient revenues will be received to cover the repayment of any interfund borrowing. It is very important to monitor the cash flow of all funds on a monthly basis and make any necessary transfers to maintain positive cash balances at all times.

We would also like to remind the District of the statutory requirements for debt issuance to school districts with qualified or negative interim report certifications. According to Education Code Section 42133(a), a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds, or any other debt instruments that do not require the approval of the voters of the district unless the County Superintendent of Schools determines the district's repayment of that indebtedness is probable.

Please ensure that any debt instruments that do not require the approval of the voters of the District are submitted to our office at least 30 days prior to the District's Board action in accordance with Education Code Section 17150.1 and Assembly Bill 2197.

Reserve for Economic Uncertainties and the Multiyear Projection (MYP)

At the First and Second Interim reporting periods, the District projected to maintain a Reserve for Economic Uncertainties (REU) of at least two percent for all three years of the MYP. The District was not able to meet its 2% minimum reserve requirement at Third Interim for the 2016-17 fiscal year.

Audit Report

The Certified Public Accounting firm Vavrinek, Trine, Day and Company (VTD) issued the District's 2015-16 audit report in December 2016. The report contained nine findings, many of which were identified as significant deficiencies or material weaknesses.

Since the VTD Audit, the Fiscal Crisis & Management Assistance Team (FCMAT) completed a Fiscal Health Risk Analysis on August 15, 2017. The FCMAT summary "identified leadership breakdown at the governing board and superintendent levels, including the board's inadequate attention to signs of fiscal distress and refusal to consolidate small school sites, allowing school sites full autonomy to make decisions that impact auxiliary services." FCMAT further highlighted the District's fiscal distress, noting "deficit spending, substantial reductions in fund balance, inadequate reserve levels, approval of bargaining agreement[s] beyond cost-of-living adjustments, large increases in

contributions to restricted programs, lack of oversight for position control, [and a]...breakdown in leadership with excessive turnover.”

Other Funds

Summaries and notes of selected other funds of the District are listed below.

• **Adult Education Fund 11**

	Adopted Budget	1st Interim	2nd Interim	3rd Interim
Beginning Balance	290,300	1,114,029	1,114,029	1,114,029
Total Revenue	2,189,500	2,933,610	2,933,610	2,933,664
Total Expense	2,189,500	4,047,639	4,047,639	4,047,693
Sources / (Uses)	0	0	0	0
Surplus / (Deficit)	0	(1,114,029)	(1,114,029)	(1,114,029)
Ending Balance	290,300	0	0	0

The Beginning Balances do not include \$1,668 of Audit Adjustments/ Restatements.

• **Cafeteria Fund 13**

	Adopted Budget	1st Interim	2nd Interim	3rd Interim
Beginning Balance	0	3,834	3,834	3,834
Total Revenue	19,234,418	18,464,650	17,554,336	17,678,922
Total Expense	19,752,575	20,786,642	19,876,327	20,000,913
Sources / (Uses)	518,157	2,318,157	2,318,157	2,318,157
Surplus / (Deficit)	0	(3,834)	(3,834)	(3,834)
Ending Balance	0	0	0	0

The Beginning Balances do not include \$2,431 of Audit Adjustments/ Restatements.

An annual expenditure for the repayment of \$206,843 to the General Fund was included. The District should ensure that this fund is self-supporting. If a decision is made to use a General Fund contribution to support the Cafeteria Fund, appropriate adjustments may be needed in the General Fund operating budget. This fund is projected to end the fiscal year with a zero balance.

• **Special Reserve for Other than Capital Projects Fund 17**

The majority of the \$35 million state loan (also known as the second drawdown) was transferred to Fund 17 in 2006-07. From 2006-07 through

2011-12, the annual CDE loan repayment for the second drawdown was made from Fund 17. This fund will no longer support the annual loan repayment and the General Fund assumed the repayment in 2012-13.

	Adopted Budget	1st Interim	2nd Interim	3rd Interim
Beginning Balance	1,545,057	1,470,747	1,470,747	1,470,747
Total Revenue	0	3,000	41,449	41,449
Total Expense	0	142,520	142,520	580,109
Sources / (Uses)	0	0	0	0
Surplus / (Deficit)	0	(139,520)	(101,071)	(538,660)
Ending Balance	1,545,057	1,331,227	1,369,676	932,087

The Beginning Balances do not include \$2,552 of Audit Adjustments/ Restatements.

- **Building Fund 21**

	Adopted Budget	1st Interim	2nd Interim	3rd Interim
Beginning Balance	151,568,027	201,155,778	201,155,778	201,502,768
Total Revenue	1	83,908	454,694	480,674
Total Expense	128,905,840	163,702,981	152,453,364	170,860,906
Sources / (Uses)	0	65,000,000	65,000,000	65,000,000
Surplus / (Deficit)	(128,905,839)	(98,619,073)	(86,998,669)	(105,380,232)
Ending Balance	22,662,188	102,536,704	114,157,108	96,122,536

The Beginning Balances only include \$346,990 of Audit Adjustments/ Restatements. The District does not include the \$362,450 accounts payable restatement.

- **Self-Insurance Fund 67**

	Adopted Budget	1st Interim	2nd Interim	3rd Interim
Beginning Balance	14,775,758	14,774,877	14,774,877	14,774,877
Total Revenue	22,678,764	22,679,951	23,544,494	23,556,891
Total Expense	22,378,764	22,926,268	23,444,494	25,427,664
Sources / (Uses)	(300,000)	(471,063)	(471,063)	(582,965)
Surplus / (Deficit)	0	(717,380)	(371,063)	(2,453,737)
Ending Balance	14,775,758	14,057,496	14,403,814	12,321,140

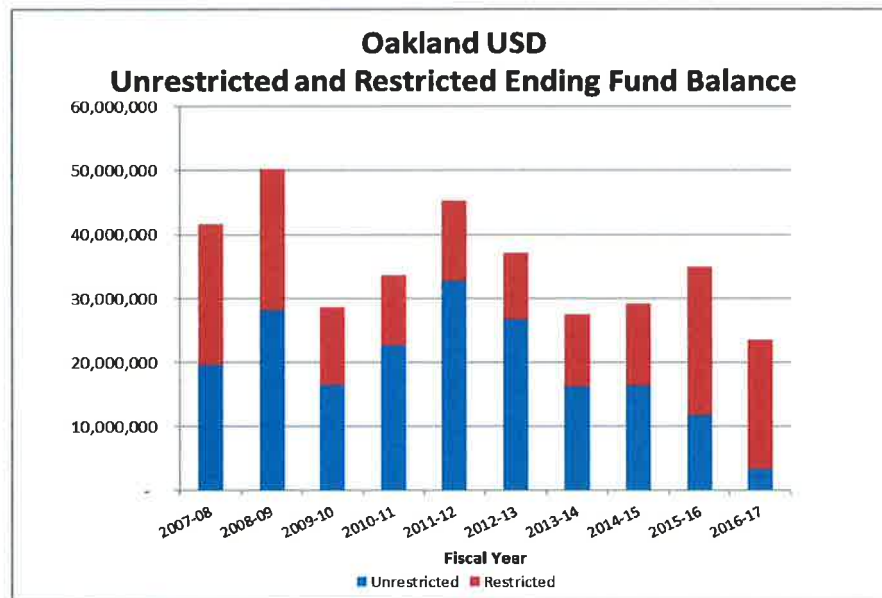
The Beginning Balances do not include \$42,965,335 of Audit Adjustments/ Restatements. We recognize that a majority of these restatements are due to the Claims and Net pension liabilities.

The audit report issued in December 2016 estimated projected claims liabilities to be approximately \$42 million for 2015-16. To generate the reserves in this fund, the District had implemented a plan to increase the annual workers' compensation rate charged to programs district-wide over the next 20 years. The balance in this fund continues to fluctuate from \$11.7 million in 2011-12, \$10.6 million in 2012-13, \$12.2 million in 2013-14, 13.7 million in 2014-15, 14.9 in 2015-16, and, as shown above, is projected to be \$12.3 million in 2016-17.

Since 2008-09, this reserve has been used to fund the District's other self-insurance excess liability costs with a transfer to the General Fund of \$3.1 million in 2008-09, \$2.2 million in 2009-10, \$2.4 million in 2010-11, \$719,000 in 2011-12, \$273,000 in 2012-13, \$273,500 in 2013-14, \$542,275 in 2014-15, \$1.9 million in 2015-16 and a projected transfer of \$582,965 in 2016-17. These transfers contributed to the fluctuations in the fund balance. The District should review the expenditures charged to this fund, and institute a plan which will generate the necessary reserves to fund the projected liability for their Workers' Compensation program.

Additional Information

In addition to the information above pertaining specifically to the 2016-17 fiscal year, ACOE has compiled 10 years of historical information regarding the District's General Fund Unrestricted and Restricted Ending Fund Balances. The graph below depicts that compilation.

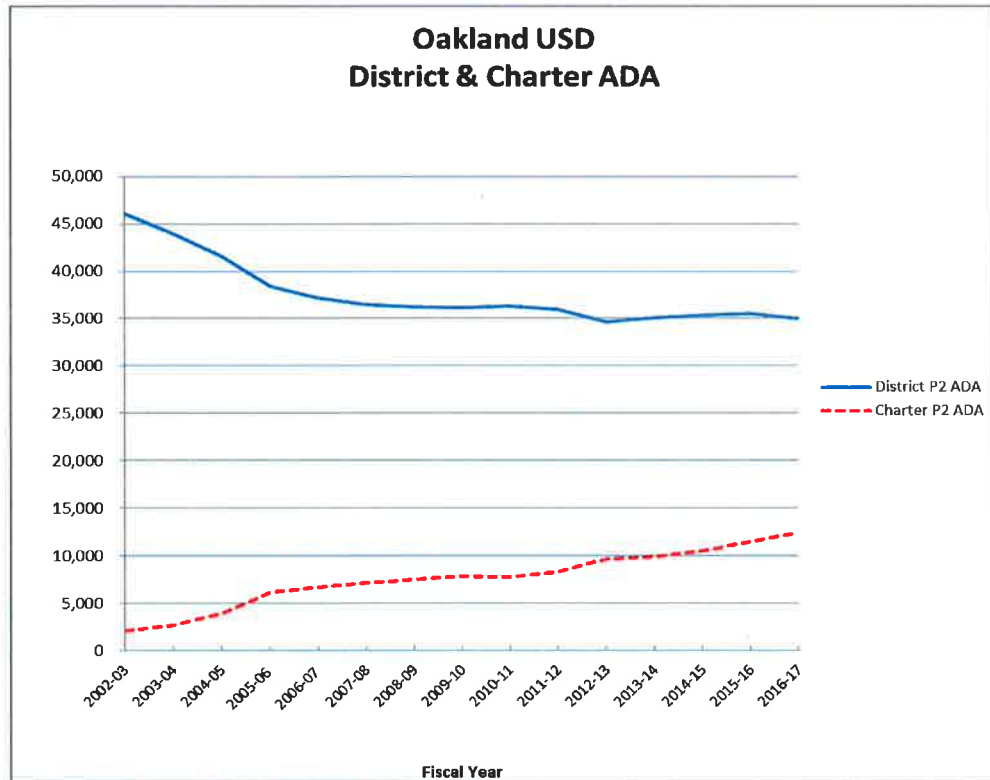


(*2008-09 and 2009-10 audited balances could not be confirmed.)

The Unrestricted and Restricted Ending Fund Balances from 2007-08 through 2015-16* are based on the District's Audit Report. The 2016-17 Unrestricted

and Restricted Ending Fund Balances are based on the District's Unaudited Actuals board presentation from September 13, 2017.

The graph below depicts a 15-year historical trend of the District's P-2 ADA for both the regular K-12 program and the District's charter schools.



Conclusion

We hope that this historical fiscal overview will be helpful to the District administration and the Board as the 2017-18 fiscal year begins. We wish to express our appreciation to Vernon Hal and the District business staff for their cooperation during all financial reporting reviews this past year.

Sincerely,

L. Karen Monroe, Superintendent
Alameda County Office of Education

LKM:sm

cc: Board of Education, Oakland USD
Kyla Johnson-Trammell, Superintendent, Oakland USD
Vernon Hal, Senior Business Officer, Oakland USD
Gloria Gamblin, Interim CFO, Oakland USD
Ryan Nguyen, Controller, Oakland USD
Carlene Naylor, Former State Trustee, Oakland USD
Chris Learned, State Trustee, Oakland USD
Tom Torlakson, Superintendent of Public Instruction, CDE
Jim Spano, Financial Audits Bureau-Division of Audits, SCO
Jeffrey B. Potter, Chief Business Officer, ACOE
Shirene Moreira, Director, ACOE

_____ **SCHOOL DISTRICT**

Resolution No. _____

**RESOLUTION CONFIRMING THE DISTRICT’S COMMITMENT
TO FISCAL SOLVENCY**

WHEREAS, the _____ School District Board of Education is committed to ensuring that the District is competitive in attracting and retaining highly qualified staff; and

WHEREAS, the Board of Education recognizes that the District is highly dependent on revenue from the State of California, and those revenue sources are dependent on the stability of the California State economy; and

WHEREAS, the Board of Education recognizes that the State has burdened the District with significant additional PERS and STRS costs for fiscal years 2014-15 through 2024-25; and

WHEREAS, the Board of Education recognizes that in order to maintain fiscal solvency in light of these, and other rising costs it is necessary to either increase revenue or decrease expenditures to meet the District's fiscal obligations in the current year and two subsequent years as mandated by California State law; and

WHEREAS, the Board of Education recognizes that the current multi-year projection indicates that the District will need to identify expenditure reductions and/or revenue enhancements of \$ _____ in 2018-19 and \$ _____ in 2019-20, and additionally, the Board of Education recognizes that this projection may increase or decrease depending on final State revenue allocations or any other changes to the multi-year assumptions, prior year ending fund balance, enrollment changes, etc.; and

WHEREAS, the Board of Education has been advised of the risk of a qualified or negative interim certification and/or fiscal insolvency if such budget balancing solutions are not realized;

NOW THEREFORE BE IT RESOLVED that, in order to ensure that _____ School District remains fiscally solvent, and in accordance with the conditions of approval for the District's 2017-18 Adopted Budget as required by the County Superintendent, the Board of Education is committed to the following expenditure reductions as shown below:

EXPENDITURE CATEGORY	REDUCTION AMOUNT
Certificated Salaries	\$
Classified Salaries	\$
Benefits	\$
Books & Supplies	\$
Services & Other Operating Expenses	\$
Capital Outlay	\$
Total must equal or exceed 2018-19 amount set forth above	\$

AND BE IT FURTHER RESOLVED that the reductions outlined above will be reflected and incorporated into the District's 2017-18 First Interim Report and Multi-Year Projection, and will be implemented no later than July 1, 2018.

PASSED AND ADOPTED by the Governing Board of the _____ School District on this _____ day of _____, 20 _____ by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

Clerk of the Board of Trustees

School District
Alameda County, California

Enrollment Projections



OFFICE OF THE SUPERINTENDENT

TO: Board of Education

FROM: Kyla Johnson-Trammell, Superintendent of Schools
Nana Xu, Director of Strategic Policy and Planning, Enrollment and Registration
Charles Wilson, Executive Director, Enrollment and Registration Management

TITLE: Executive Summary Report, 2017 Enrollment Counts Day 20

DATE: September 27, 2017

BACKGROUND:

Annually, our district must calculate the number of students enrolled in OUSD schools. Each year, the superintendent must report to the state and board the number of students actually attending OUSD schools. Counts enable us to align our Aeries database to the actual students who are attending school. They also allow us to make optimal staffing decisions per our agreement with OEA. Our overall district enrollment projections, derived from counts data each year, directly impacts the formation of our budget at OUSD. **District wide, our 20 day enrollment shows a total count of 36,870. This is 553 students over our overall 20 day projections of 36,317.** These counts are also 302 more than the physical counts taken at day 20 in September 2016.

CURRENT STATUS

Our day 20 counts for OUSD schools, excluding authorized charters, shows a total enrollment of **36,870** students, including SDC.

Non-SDC- **35,507**

SDC- **1,363**

	17-18 Variance to Projection (Day 20)		
	Projected 20 Day	Counts Day 20	Variance
Non-SDC	34,849	35,507	658
SDC	1,468	1,363	-105
Total	36,317	36,870	553

We are currently **553 students over** our overall day 20 projections of 36,317.



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These counts are also **302 students** more than the physical counts taken at day 20 in September 2016:

17-18 Counts vs. 16-17 Counts (Day 20)			
	17-18 Counts Day 20	16-17 Counts Day 20	Variance
Non-SDC	35,507	35,100	407
SDC	1,363	1,468	-105
Total	36,870	36,568	302

Below are the results of the counts vs. the 2017-18 projections by grade.

ELEMENTARY	TK+K	1 st	2 nd	3 rd	4 th	5 th	Total
Projected	3,663	3,072	3,123	3,038	3,049	2,967	18,912
Day 20 Count	3,866	3,170	3,102	3,094	3,056	2,991	19,279
Variance	203	98	-21	56	7	24	367
%	5.54%	3.19%	-0.67%	1.84%	0.23%	0.81%	1.94%

MIDDLE	6 th	7 th	8 th	Total
Projected	2,269	2,116	2,212	6,597
Day 20 Count	2,355	2,205	2,247	6,807
Variance	86	89	35	210
%	3.79%	4.21%	1.58%	3.18%

HIGH	9 th	10 th	11 th	12 th	Total
Projected	2,216	2,395	2,546	2,183	9,340
Day 20 Count	2,285	2,509	2,375	2,252	9,421
Variance	69	114	-171	69	81
%	3.11%	4.76%	-6.72%	3.16%	0.87%

Here are the schools that counted 15 students or more under projection:



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Network	Site No.	Site Name	Total Non-SDC Variance
Network #2	235	MELROSE LEADERSHIP ACADEMY	-17
Network #3	154	MADISON PARK LOWER	-18
High School	304	OAKLAND HS	-18
Network #2	175	MANZANITA SEED	-19
Middle School	226	ROOTS INTERNATIONAL ACADEMY	-20
Network #3	136	HORACE MANN	-22
Network #2	217	SCHOOL OF LANGUAGE	-22
Elevation	183	PLACE at Prescott	-28
High School	305	OAKLAND TECHNICAL HS	-29
Network #2	172	FRED T. KOREMATSU	-36
High School	215	MADISON UPPER	-37
Elevation	191	SANKOFA	-63
High School	306	SKYLINE HS	-65



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Here is the list of schools that were counting 15 students or more above projection:

Network	Site No.	Site Name	Total Non-SDC Variance
Network #4	144	PARKER	104
Middle School	206	BRET HARTE	92
Elevation	302	FREMONT HS	86
Middle School	212	ROOSEVELT	50
Network #3	102	BELLA VISTA	46
Network #4	118	GARFIELD	45
Network #3	112	GREENLEAF	44
Elevation	204	WEST OAKLAND MIDDLE	42
High School	354	RUDSDALE NEWCOMER	39
Network #4	116	FRANKLIN	36
Elevation	301	CASTLEMONT HS	35
Network #2	177	ESPERANZA ACADEMY	29
Network #2	111	CROCKER HIGHLANDS	26



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Network #4	148	REDWOOD HEIGHTS	25
Network #2	186	INTERNATIONAL COMMUNITY SCHOOL	24
Elevation	213	WESTLAKE	23
Elevation	170	HOOVER	22
Network #4	133	LINCOLN	22
Network #4	146	PIEDMONT AVE	20
Network #4	119	GLENVIEW	19
Network #3	122	GRASS VALLEY	19
Elevation	129/182	LAFAYETTE/MLK	18
Network #4	138	MARKHAM	18
Network #4	117	FRUITVALE	16
Network #3	181	ENCOMPASS	15

NEXT STEPS

Based on these final enrollment numbers we will submit the counts to the Budget Team to review and finalize. Schools with Aeries variances were contacted on 9/19/2017.

ASSISTANCE

No assistance is needed at this point.



**OAKLAND UNIFIED
SCHOOL DISTRICT**

Community Schools, Thriving Students

2017-2018 Enrollment

Summary of 20th Day Counts



Presented by Nana Xu, Director of Strategic Policy and Planning
Charles Wilson, Executive Director
Enrollment and Registration Management

Presented to the Board of Education

9/27/2017

www.ousd.org



@OUSDnews

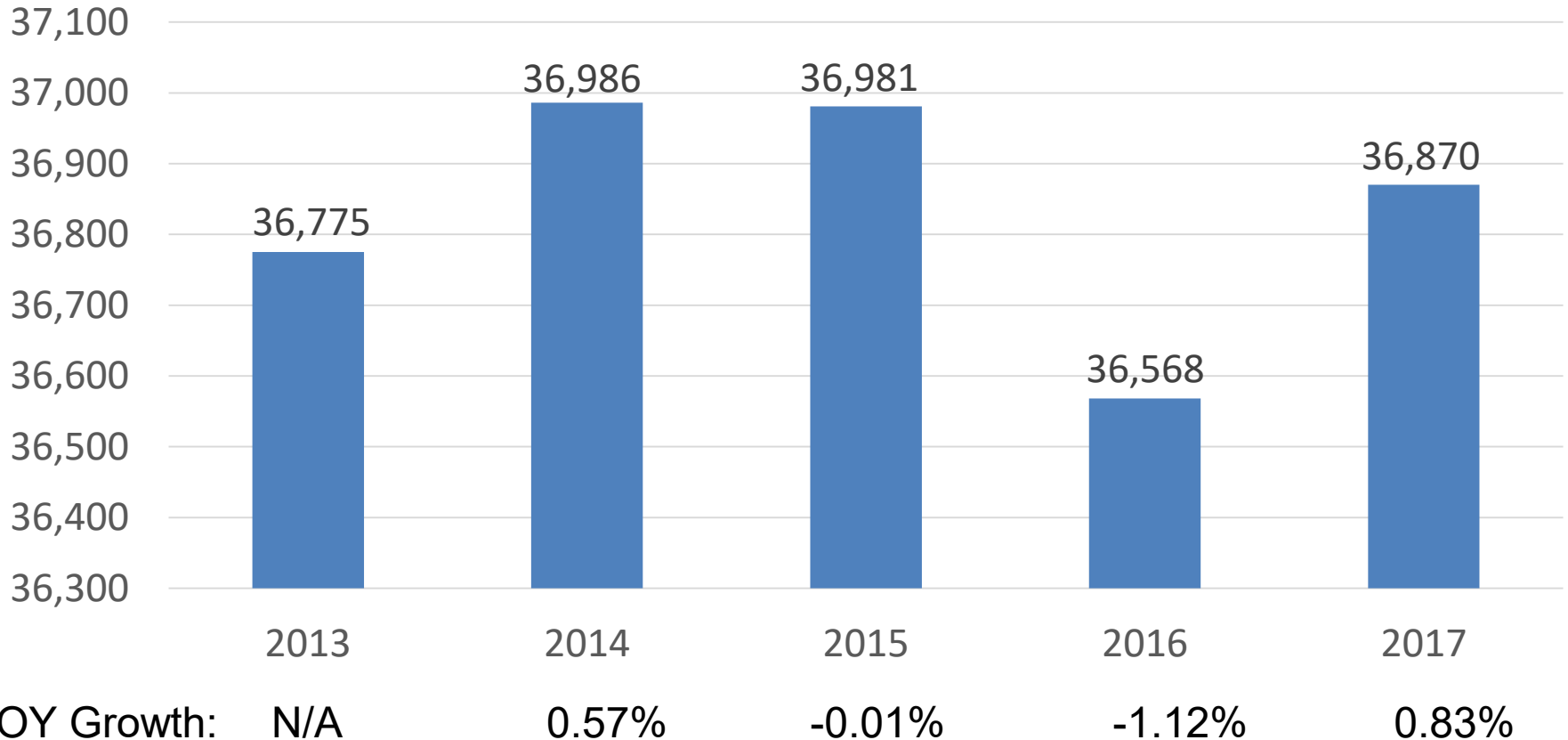
Executive Summary

- The 20th Day Enrollment for 2017-2018 is **36,870**:
 - **35,507** Non-Special Day Class (SDC)
 - **1,363** Special Day Class
- Total 2017 20 Day Count grew 0.83% from 2016.
 - This growth comes after a year of decline in 2016 20 day counts.
 - For Non-SDC: Grades TK-5 decreased -0.09%, 6-8 grew 2.07%, and 9-12 grew 3.14%
- Primary drivers of growth are related to:
 - Increase in live birth counts for 2012 – which impacts TK and kindergarten in 2017-18;
 - Charter school closures (COVA and Castlemont Primary Academy in Spring 2017);
 - Newcomer Population growth
- The Enrollment Team will be analyzing these and other factors that may have contributed to our growth
- 2017 20 Day Count actuals were within 1.52% of the K-12 projection of 36,317

Note: The 20 Day Count is a date chosen by the district to make staffing and teacher decisions. These numbers are not the same data points reported to the CDE and included on OUSD's website given the difference in timing in when data is reported. The counts are physical counts of students performed by administration during key school days so that the district can make staffing decisions based on our OEA contract.

Total 20th Day Enrollment counts has grown 0.83% since last year

Total Day 20 Counts
Includes non-SDC and SDC



Overall, enrollment grew by 302 students relative to 2016 and exceeded 2017 20 day projections

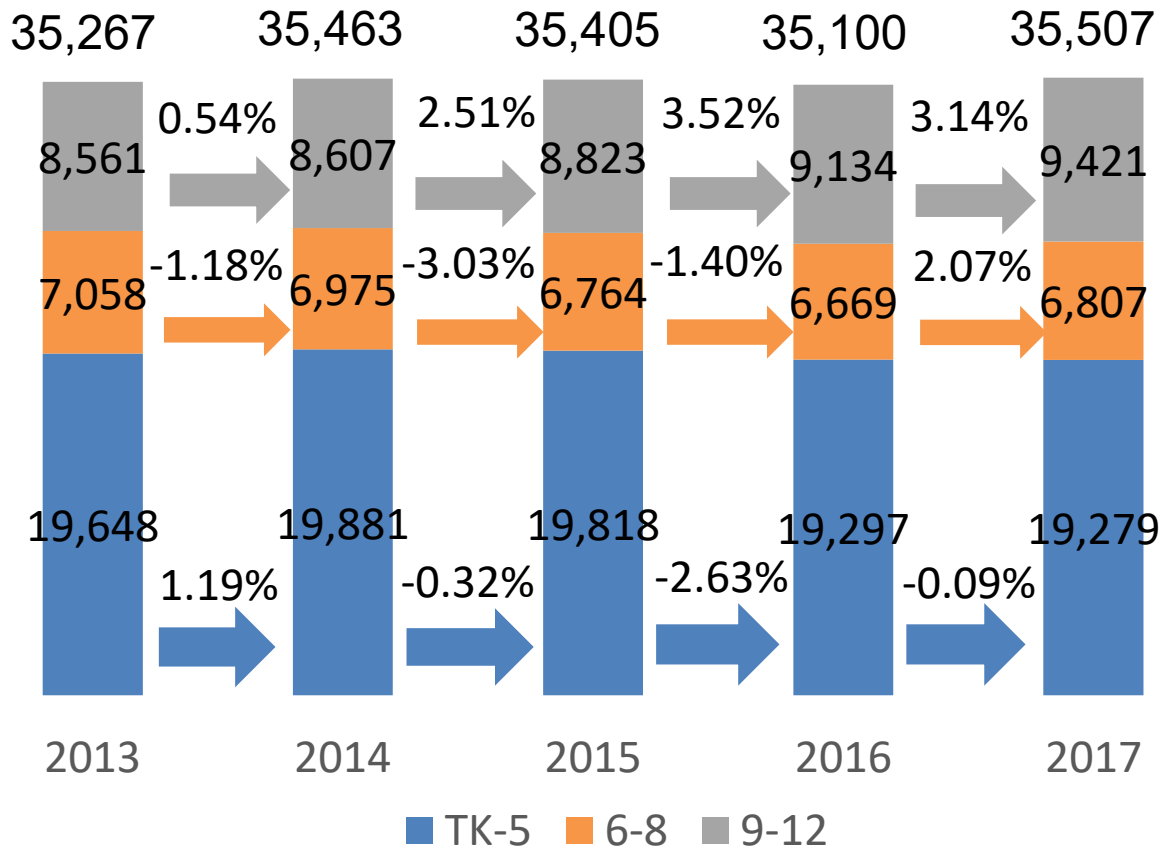
Compared to Projections – 2017-2018			
	Non-SDC	SDC*	Total
20 Day Actual - 2017-18	35,507	1,363	36,870
Projected - 2017-18	34,849	1,468	36,317
Variance over/(under)	658	(105)	553
Percentage Variance from Projection	1.89%	-7.15%	1.52%

Compared to Prior Year Actuals - 2016-2017			
	Non-SDC	SDC*	Total
20 Day Actual - 2017-18	35,507	1,363	36,870
20 Day Actual - 2016-17	35,100	1,468	36,568
Variance over/(under)	407	(105)	302
Percentage Variance from Prior Year	1.16%	-7.15%	0.83%

Special Day Class: Term used to describe a self contained special education class which provides services to students with intensive needs that cannot be met by the general education program, resource specialist program, or designated instruction services program. Classes typically consist of more than 50% of the student's day. *The SDC counts process is currently under review and we are continuing to refine the process to ensure greater consistency and accuracy.

Most of the growth in 2017 is in high school and middle school

Day 20 Count, Grade and Growth Rate, Non-SDC



Drivers for 20 day growth:

- 1 Increase in live birth counts for 2012;
- 2 Charter school closures (COVA and Castlemont Primary Academy in Spring 2017);
- 3 Newcomer Population growth

Notes: At this time, only non-SDC data is disaggregated by grade level; currently, non-SDC students account for 96% of total OUSD students; other reasons for growth are also being explored (e.g. school level marketing and program improvements)

At a network level, most networks ahead of projections

2017-2018 Day 20 Actuals Compared to Projections - Non-SDC				
	20 Day Actual	20 Day Projected	Difference	Percent Difference from projection
Network 2	6,235	6,216	19	0.31%
Network 3	4,778	4,649	129	2.77%
Network 4	6,989	6,673	316	4.74%
Elevation	5,345	5,220	125	2.39%
Middle	4,026	3,878	148	3.82%
High	8,134	8,213	-79	-0.96%
Total	35,507	34,849	658	1.89%

- The largest positive variance in counts vs. projections was in Network 4.
- The counts for Network 2 were closest to projections.

Note: Networks are categories defined by OUSD. The Elevation Network includes elementary, middle, and high schools. See appendix for more detail about how networks are defined.

Projections Accuracy Report: District Level

Accuracy Report for 20 Day Counts (Non-SDC and SDC combined)				
School Year	Actual for 20 Day Counts	Projected for 20 Day Counts	Difference	Percent difference from projection
2013-14	36,775	36,282	493	1.36%
2014-15	36,986	36,595	391	1.07%
2015-16	36,981	36,721	260	0.71%
2016-17	36,568	37,440	-872	-2.33%
2017-18	36,870	36,317	553	1.52%

Given the degree of uncertainty in the ways that housing activity, gentrification, newcomer population growth, and charter activity impact enrollment in OUSD, the best practice is to project conservatively and adjust staffing when enrollment materializes beyond projections.

Note: Projection accuracy is impacted by both external factors (gentrification, housing, charter activity) and internal factors (decisions about programs approved after October of each year).



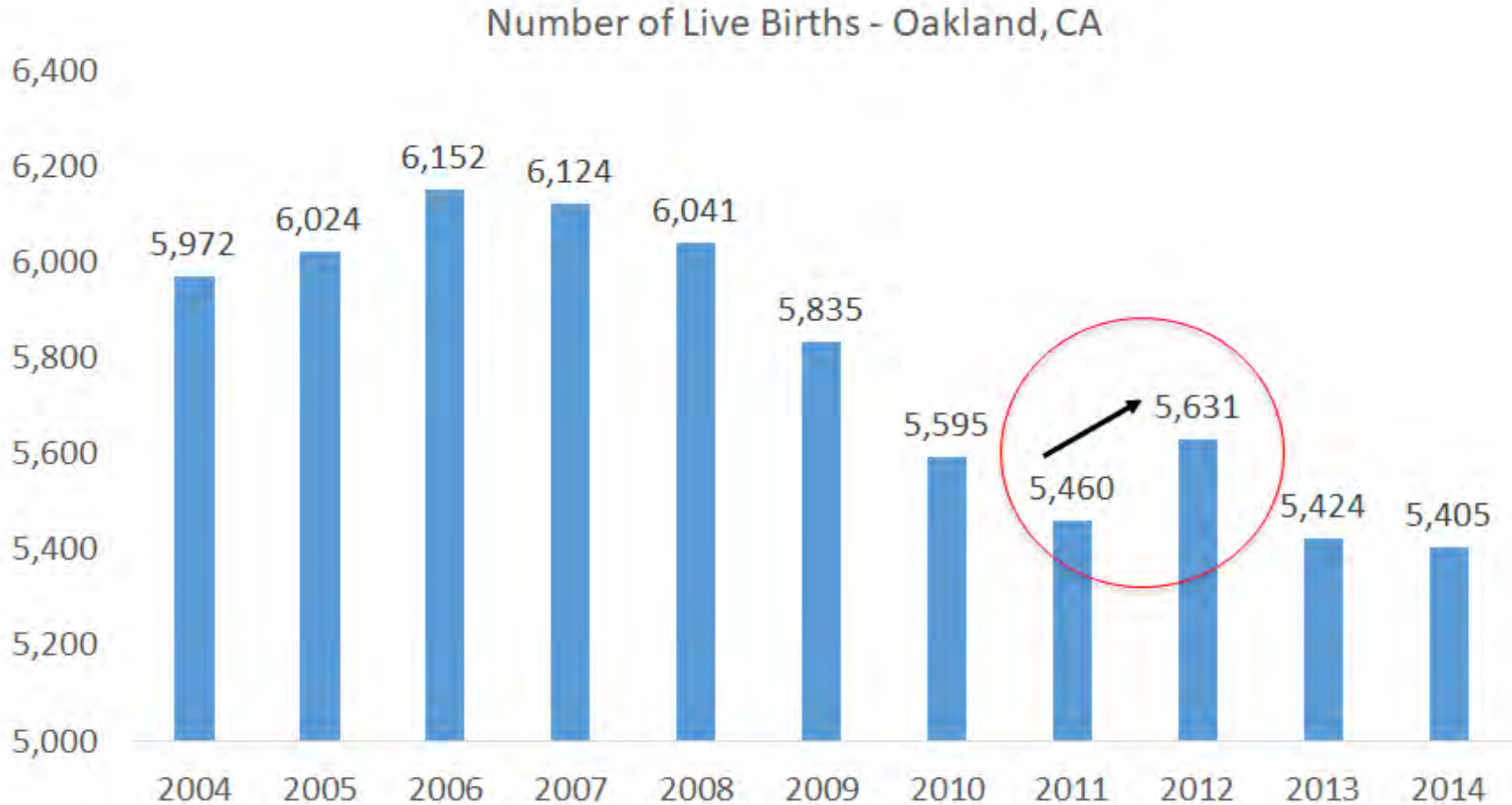


Questions

Appendix

1

Increase in live births in 2012 is a contributing factor to 2017 20 Day Count Growth



Source: Alameda County Public Health Department

1

Birth rate growth from 2012 is reflected in increase in TK and K 20 day counts for 2017

20 Day Count by Year and Grade (non-SDC)

Grade	2013	2014	2015	2016	2017	2016-2017 YOY Percent Change
TK	423	590	652	675	713	6%
K	3,283	3,255	3,291	3,069	3,153	3%
1	3,406	3,359	3,236	3,190	3,170	-1%
2	3,320	3,335	3,240	3,098	3,102	0%
3	3,195	3,275	3,218	3,108	3,094	0%
4	3,085	3,098	3,210	3,060	3,056	0%
5	2,936	2,969	2,971	3,097	2,991	-3%
6	2,408	2,240	2,258	2,196	2,353	7%
7	2,356	2,344	2,215	2,258	2,205	-2%
8	2,294	2,391	2,291	2,215	2,247	1%
9	2,126	2,194	2,321	2,270	2,285	1%
10	2,144	2,161	2,276	2,506	2,509	0%
11	2,137	2,153	2,226	2,312	2,375	3%
12	2,154	2,099	2,000	2,046	2,252	10%
Total	35,267	35,463	35,405	35,100	35,507	1%

Charter school closures are also a contributing factor to 2017 20 day count growth

Oakland: Castlemont charter school to close...

News > Education

Oakland: Castlemont charter school to close next month



Ollis Simmons, Executive Director of Youth Uprising, talks about needing more alternatives for teens in order to prevent an increase in side shows at the Oakland Police Department on Monday, June 3, 2013 in Oakland, Calif. (Laura A. Oda/Bay Area News Group)

By JOYCE TSAI | Bay Area News Group
PUBLISHED: January 27, 2017 at 3:47 pm | UPDATED: January 28, 2017 at 3:07 pm

OAKLAND — Castlemont Primary Academy, a charter school that operates on the Castlemont High School campus, will close next month.

The school closure was announced earlier this month, and the approximately 85 students attending the school will be moved to nearby Oakland Unified School District-run Parker Elementary starting Feb. 6, said Gloria Lee, executive director of Educate 78, which provided a grant for the charter school's start-up.

Such school closures mid-year don't happen often, she said.

District yanks Oakland K-8 school's charter

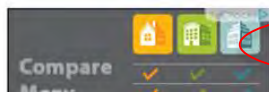
By Evan Sernoffsky Updated 3:57 pm, Tuesday, June 20, 2017

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Photo: CQV //

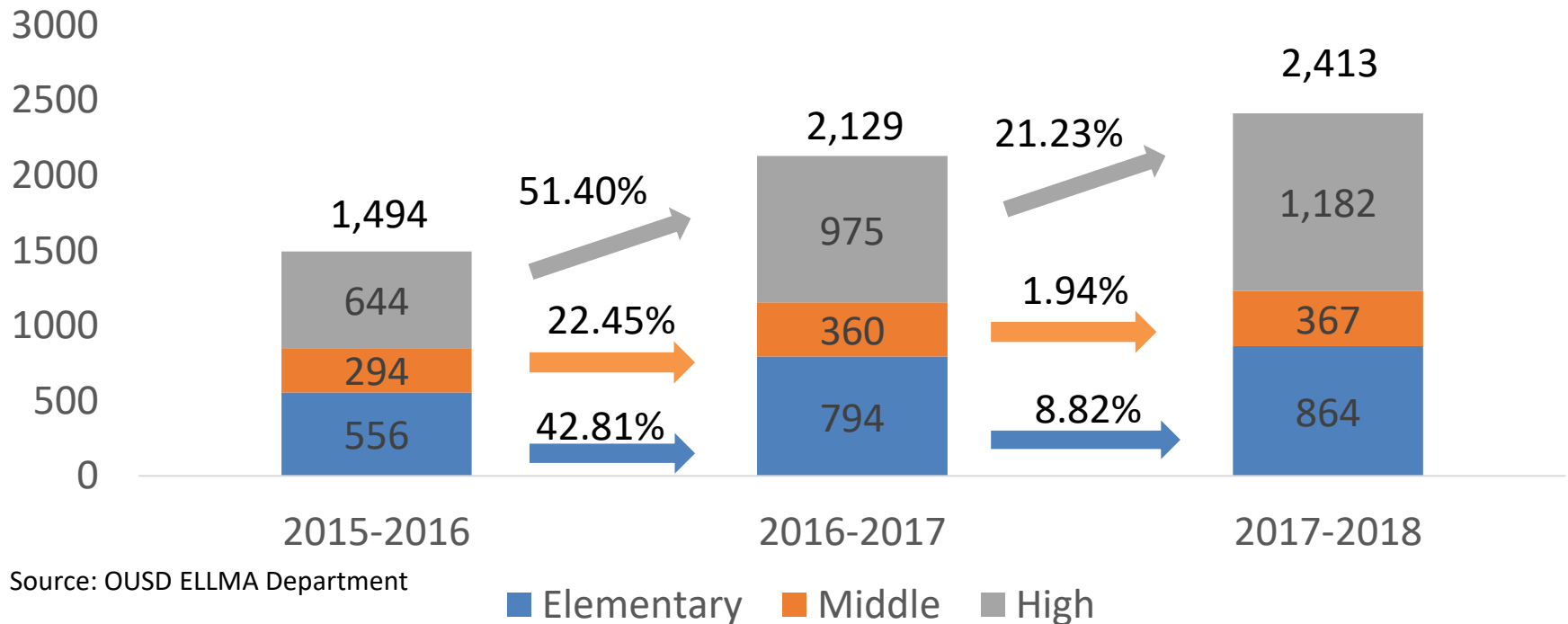
The Oakland Unified School District voted last week to pull the charter for Conservatory of Vocal and Instrumental Arts.



Close to 200 children in Oakland will have to find a new school in the fall after the district yanked their school's charter due to poor performance by the students and incompetence by administrators, officials said Tuesday.

Increase in Newcomers contributes to day 20 count growth

Day 20 Actual Newcomer Counts by Elementary, Middle, and High



Notes:

A newcomer is generally defined as a student that is born outside the U.S., has a home language other than English, and has been in US schools for 3 years or less. Students may also be newcomers for a 4th year according to entry/exit criteria or be US-born but educated outside of the US until arrival. Please note data was not collected systematically for newcomers prior to 2015-16. Additionally, all students served at OIHS are represented as newcomers above.

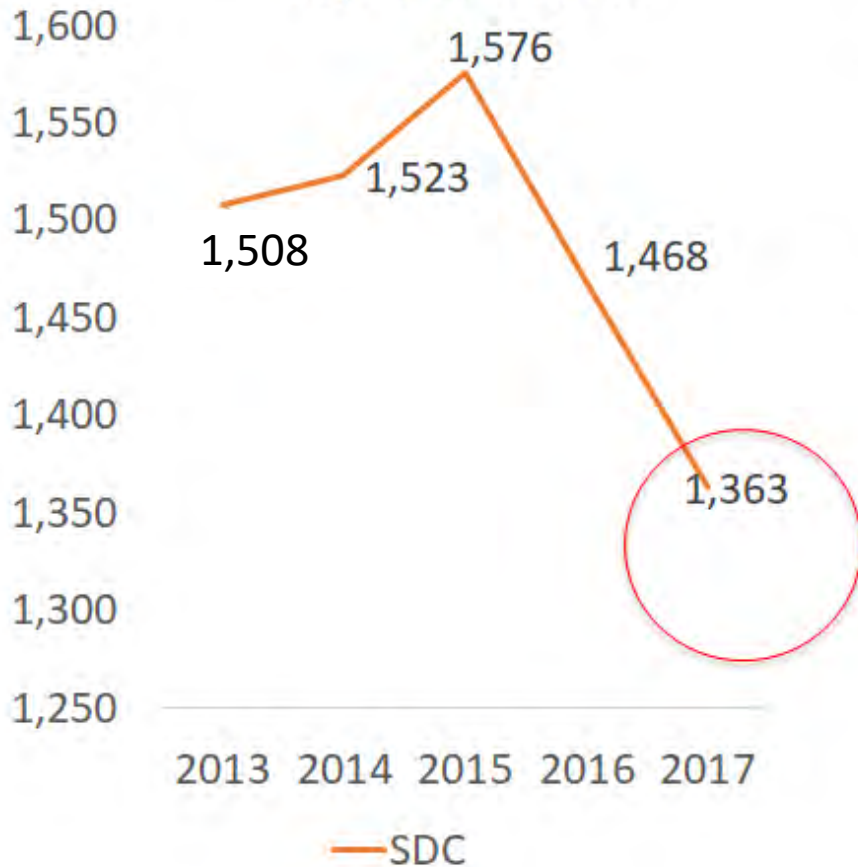
Non-SDC Students are 96% of our total population

Day 20 Counts, Non-SDC and SDC as Percentage of Total Counts

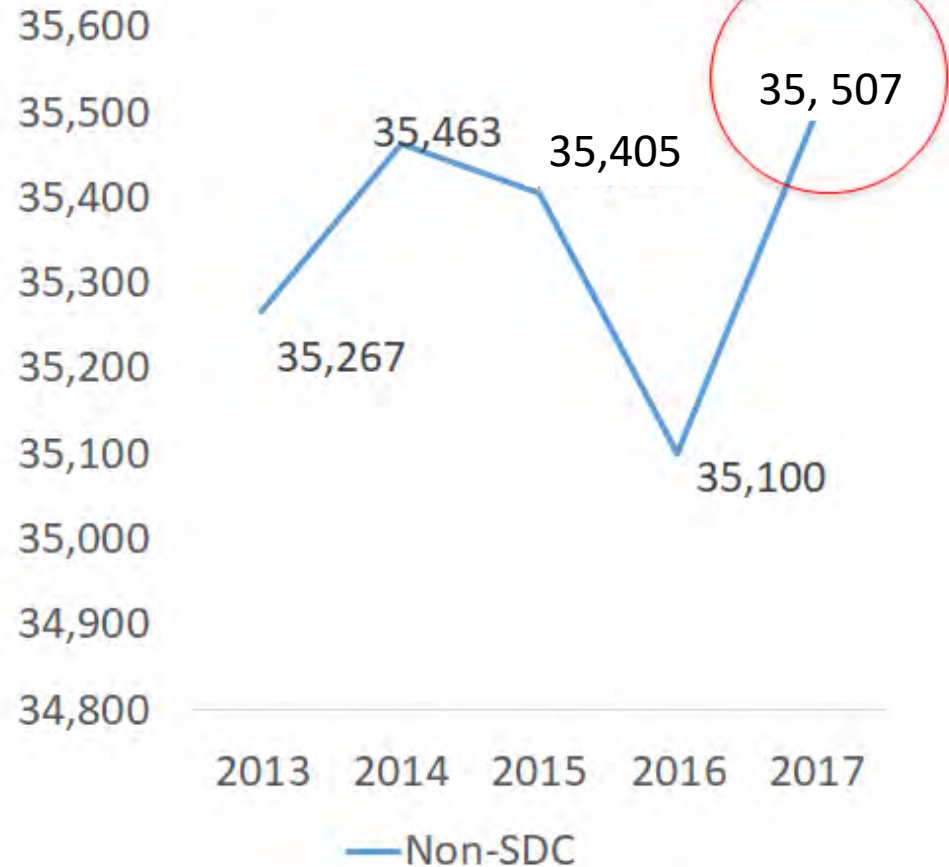
	2013-14	2014-15	2015-16	2016-17	2017-18
Non-SDC	35,267	35,463	35,405	35,100	35,507
SDC	1,508	1,523	1,576	1,468	1,363
Total	36,775	36,986	36,981	36,568	36,870
% Non-SDC	95.90%	95.88%	95.74%	95.99%	96.30%
% SDC	4.10%	4.12%	4.26%	4.01%	3.70%

SPED Re-Categorization increases non-SDC and decreases SDC Counts in 2017

Day 20 Counts, SDC



Day 20 Counts, Non-SDC



*The SDC counts process is currently under review and we are continuing to refine the process to ensure greater consistency and accuracy.

Overall, OUSD exceeded 20 day count projections

Compared to Projections - By Grade Span (Non-SDC)

	Elementary	Middle	High	Total
20 Day Actual - 2017-18	19,279	6,807	9,421	35,507
Projected - 2017-18	18,912	6,597	9,340	34,849
Variance over/(under)	367	210	81	658
Percentage Variance from Projected	1.94%	3.18%	0.87%	1.89%

Compared to Prior Year Actuals 2016-17 - By Grade Span (Non-SDC)

	Elementary	Middle	High	Total
20 Day Actual - 2017-18	19,279	6,807	9,421	35,507
20 Day Actual - 2016-17	19,297	6,669	9,134	35,100
Variance over/(under)	(18)	138	287	407
Percentage Variance from Prior Year	-0.09%	2.07%	3.14%	1.16%

In elementary grades, the largest percent growth was in TK+K

Compared to Projections - Elementary Grades (Non-SDC)

	TK+K	1st	2nd	3rd	4th	5th	Total
20 Day Actual - 2017-18	3,866	3,170	3,102	3,094	3,056	2,991	19,279
Projected - 2017-18	3,663	3,072	3,123	3,038	3,049	2,967	18,912
Variance over/ (under)	203	98	(21)	56	7	24	367
Percentage Variance from Projected	5.54%	3.19%	-0.67%	1.84%	0.23%	0.81%	1.94%

Compared to Prior Year Actuals 2017-18 - Elementary Grades (Non-SDC)

	TK+K	1st	2nd	3rd	4th	5th	Total
20 Day Actual - 2017-18	3,866	3,170	3,102	3,094	3,056	2,991	19,279
20 Day Actual - 2016-17	3,744	3,190	3,098	3,108	3,060	3,097	19,297
Variance over/ (under)	122	(20)	4	(14)	(4)	(106)	(18)
Percentage Variance from Prior Year	3.26%	-0.63%	0.13%	-0.45%	-0.13%	-3.42%	-0.09%

In middle school grades, 6th grade had the most growth from prior year

Compared to Projections - Middle School Grades (Non-SDC)

	6th	7th	8th	Total
20 Day Actual - 2017-18	2,355	2,205	2,247	6,807
Projected - 2017-18	2,269	2,116	2,212	6,597
Variance over/ (under)	86	89	35	210
Percentage Variance from Projected	3.79%	4.21%	1.58%	3.18%

Compared to Prior Year Actuals 2017-18 - Middle School Grades (Non-SDC)

	6th	7th	8th	Total
20 Day Actual - 2017-18	2,355	2,205	2,247	6,807
20 Day Actual - 2016-17	2,196	2,258	2,215	6,669
Variance over/ (under)	159	(53)	32	138
Percentage Variance from Prior Year	7.24%	-2.35%	1.44%	2.07%

In high school grades, 12th grade grew the most compared to last year

Compared to Projections - High School Grades (Non-SDC)

	9th	10th	11th	12th	Total
20 Day Actual - 2017-18	2,285	2,509	2,375	2,252	9,421
Projected - 2017-18	2,216	2,395	2,546	2,183	9,340
Variance over/ (under)	69	114	(171)	69	81
Percentage Variance from Projected	3.11%	4.76%	-6.72%	3.16%	0.87%

Compared to Prior Year Actuals 2017-18 - High School Grades (Non-SDC)

	9th	10th	11th	12th	Total
20 Day Actual - 2017-18	2,285	2,509	2,375	2,252	9,421
20 Day Actual - 2016-17	2,270	2,506	2,312	2,046	9,134
Variance over/ (under)	15	3	63	206	287
Percentage Variance from Prior Year	0.66%	0.12%	2.72%	10.07%	3.14%

Definitions

Definitions

20 Day Counts: The 20 Day Count is a date chosen by the district to make staffing and teacher decisions. These numbers are not the same data points reported to the CDE and included on OUSD's website given the difference in timing in when data is reported. The counts are physical counts of students performed by administration during key school days so that the district can make staffing decisions based on our OEA contract.

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School Networks: 2 & 3

Network	Site Name
Network #2	ESPERANZA ACADEMY
Network #2	CROCKER HIGHLANDS
Network #2	INTERNATIONAL COMMUNITY SCHOOL
Network #2	THINK COLLEGE NOW
Network #2	PERALTA
Network #2	MANZANITA COMMUNITY SCHOOL
Network #2	HILLCREST
Network #2	BRIDGES ACADEMY AT MELROSE
Network #2	CHABOT
Network #2	THORNHILL
Network #2	MONTCLAIR
Network #2	GLOBAL FAMILY
Network #2	MELROSE LEADERSHIP ACADEMY
Network #2	MANZANITA SEED
Network #2	SCHOOL OF LANGUAGE
Network #2	FRED T. KOREMATSU

Network	Site Name
Network #3	BELLA VISTA
Network #3	GREENLEAF
Network #3	GRASS VALLEY
Network #3	ENCOMPASS
Network #3	CARL MUNCK
Network #3	KAISER
Network #3	EAST OAKLAND PRIDE
Network #3	CLEVELAND
Network #3	NEW HIGHLAND ACADEMY
Network #3	ACORN WOODLAND
Network #3	RISE
Network #3	HOWARD
Network #3	BURCKHALTER
Network #3	MADISON PARK LOWER
Network #3	HORACE MANN

School Networks: 4 & Middle

Network	Site Name
Network #4	PARKER
Network #4	GARFIELD
Network #4	FRANKLIN
Network #4	REDWOOD HEIGHTS
Network #4	LINCOLN
Network #4	PIEDMONT AVE
Network #4	GLENVIEW
Network #4	MARKHAM
Network #4	FRUITVALE
Network #4	ALLENDALE
Network #4	FUTURES
Network #4	JOAQUIN MILLER
Network #4	LAUREL
Network #4	LA ESCUELITA
Network #4	SEQUOIA
Network #4	COMMUNITY UNITED

Network	Site Name
Middle School	BRET HARTE
Middle School	ROOSEVELT
Middle School	CLAREMONT
Middle School	URBAN PROMISE
Middle School	EDNA BREWER
Middle School	UNITED FOR SUCCESS ACADEMY
Middle School	MONTERA
Middle School	ROOTS INTERNATIONAL ACADEMY

School Network: High & Elevation

Network	Site Name
High School	RUDSDALE NEWCOMER
High School	DEWEY HS
High School	LIFE ACADEMY
High School	STREET ACADEMY
High School	RUDSDALE CONTINUATION
High School	OAKLAND COMMUNITY DAY
High School	MET WEST
High School	SOJOURNER TRUTH
High School	COLISEUM COLLEGE PREP ACADEMY
High School	OAKLAND INTERNATIONAL HIGH
High School	RALPH BUNCHE HS
High School	OAKLAND HS
High School	OAKLAND TECHNICAL HS
High School	MADISON UPPER
High School	SKYLINE HS

Network	Site Name
Elevation	FREMONT HS
Elevation	WEST OAKLAND MIDDLE
Elevation	CASTLEMONT HS
Elevation	WESTLAKE
Elevation	HOOVER
Elevation	LAFAYETTE/MLK
Elevation	ALLIANCE ACADEMY
Elevation	MCCLYMONDS HS
Elevation	ELMHURST COMMUNITY PREP
Elevation	BROOKFIELD
Elevation	EMERSON
Elevation	FRICK
Elevation	REACH
Elevation	PLACE at Prescott
Elevation	SANKOFA

Multiyear Projections

Description	Object Codes	2017-18 Budget (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
(Enter projections for subsequent years 1 and 2 in Columns C and E; current year - Column A - is extracted)						
A. REVENUES AND OTHER FINANCING SOURCES						
1. LCFF/Revenue Limit Sources	8010-8099	359,593,984.21	3.55%	372,366,673.00	2.68%	382,354,963.00
2. Federal Revenues	8100-8299	63,500.00	1.56%	64,491.00	2.15%	65,877.00
3. Other State Revenues	8300-8599	13,205,695.65	-37.51%	8,251,588.00	2.15%	8,428,997.00
4. Other Local Revenues	8600-8799	34,469,643.19	1.74%	35,069,270.00	3.37%	36,249,701.00
5. Other Financing Sources						
a. Transfers In	8900-8929	564,067.00	0.00%	564,067.00	0.00%	564,067.00
b. Other Sources	8930-8979	0.00	0.00%		0.00%	
c. Contributions	8980-8999	(70,327,977.00)	3.85%	(73,032,498.00)	3.86%	(75,854,196.00)
6. Total (Sum lines A1 thru A5c)		337,568,913.05	1.69%	343,283,591.00	2.48%	351,809,409.00
B. EXPENDITURES AND OTHER FINANCING USES						
1. Certificated Salaries						
a. Base Salaries				138,911,376.28		140,995,047.28
b. Step & Column Adjustment				2,083,671.00		2,114,926.00
c. Cost-of-Living Adjustment						
d. Other Adjustments						
e. Total Certificated Salaries (Sum lines B1a thru B1d)	1000-1999	138,911,376.28	1.50%	140,995,047.28	1.50%	143,109,973.28
2. Classified Salaries						
a. Base Salaries				55,651,598.06		56,486,372.06
b. Step & Column Adjustment				834,774.00		847,296.00
c. Cost-of-Living Adjustment						
d. Other Adjustments						
e. Total Classified Salaries (Sum lines B2a thru B2d)	2000-2999	55,651,598.06	1.50%	56,486,372.06	1.50%	57,333,668.06
3. Employee Benefits	3000-3999	80,776,605.49	8.79%	87,879,733.00	7.23%	94,229,690.00
4. Books and Supplies	4000-4999	14,538,816.75	0.77%	14,650,530.00	2.86%	15,069,535.00
5. Services and Other Operating Expenditures	5000-5999	36,270,664.66	0.77%	36,549,361.00	2.86%	37,594,673.00
6. Capital Outlay	6000-6999	0.00	0.00%		0.00%	
7. Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	6,087,521.00	0.00%	6,087,521.00	0.00%	6,087,521.00
8. Other Outgo - Transfers of Indirect Costs	7300-7399	(4,271,912.54)	4.18%	(4,450,550.00)	0.13%	(4,456,132.00)
9. Other Financing Uses						
a. Transfers Out	7600-7629	1,504,588.00	3.19%	1,552,584.00	2.86%	1,596,988.00
b. Other Uses	7630-7699	0.00	0.00%		0.00%	
10. Other Adjustments (Explain in Section F below)						
11. Total (Sum lines B1 thru B10)		329,469,257.70	3.12%	339,750,598.34	3.18%	350,565,916.34
C. NET INCREASE (DECREASE) IN FUND BALANCE						
(Line A6 minus line B11)						
		8,099,655.35		3,532,992.66		1,243,492.66
D. FUND BALANCE						
1. Net Beginning Fund Balance (Form 01, line F1e)		8,431,471.57		16,531,126.92		20,064,119.58
2. Ending Fund Balance (Sum lines C and D1)		16,531,126.92		20,064,119.58		21,307,612.24
3. Components of Ending Fund Balance						
a. Nonspendable	9710-9719	150,000.00		150,000.00		150,000.00
b. Restricted	9740					
c. Committed						
1. Stabilization Arrangements	9750	0.00				
2. Other Commitments	9760	5,882,851.99		8,869,153.54		9,888,221.46
d. Assigned	9780	0.00				
e. Unassigned/Unappropriated						
1. Reserve for Economic Uncertainties	9789	10,498,274.93		11,044,966.04		11,269,390.78
2. Unassigned/Unappropriated	9790	0.00		0.00		0.00
f. Total Components of Ending Fund Balance						
(Line D3f must agree with line D2)						
		16,531,126.92		20,064,119.58		21,307,612.24

Description	Object Codes	2017-18 Budget (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
E. AVAILABLE RESERVES						
1. General Fund						
a. Stabilization Arrangements	9750	0.00		0.00		0.00
b. Reserve for Economic Uncertainties	9789	10,498,274.93		11,044,966.04		11,269,390.78
c. Unassigned/Unappropriated	9790	0.00		0.00		0.00
(Enter reserve projections for subsequent years 1 and 2 in Columns C and E; current year - Column A - is extracted.)						
2. Special Reserve Fund - Noncapital Outlay (Fund 17)						
a. Stabilization Arrangements	9750					
b. Reserve for Economic Uncertainties	9789					
c. Unassigned/Unappropriated	9790					
3. Total Available Reserves (Sum lines E1a thru E2c)						
		10,498,274.93		11,044,966.04		11,269,390.78

F. ASSUMPTIONS

Please provide below or on a separate attachment, the assumptions used to determine the projections for the first and second subsequent fiscal years. Further, please include an explanation for any significant expenditure adjustments projected in lines B1d, B2d, and B10. For additional information, please refer to the Budget Assumptions section of the SACS Financial Reporting Software User Guide.

Description Object Codes	2017-18 Budget (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
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Assumes ADA of 35,040.39 for base year, remaining flat for out years
 GAP funding: 43.97% for base year, 71.53% for 2018-19, and 73.51 for 2019-2020
 Step and Column applied at 1.5% for each year
 STRS rate applied: 14.43% for base year, 16.28% for 2018-19, and 18.13% for 2019-20
 PERS rate applied: 15.53% for base year, 18.10% for 2018-19, and 20.80% for 2019-20

Description	Object Codes	2017-18 Budget (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
(Enter projections for subsequent years 1 and 2 in Columns C and E; current year - Column A - is extracted)						
A. REVENUES AND OTHER FINANCING SOURCES						
1. LCFF/Revenue Limit Sources	8010-8099	2,412,110.00	0.00%	2,412,110.00	0.00%	2,412,110.00
2. Federal Revenues	8100-8299	44,694,665.12	1.56%	45,391,902.00	2.15%	46,367,828.00
3. Other State Revenues	8300-8599	47,847,128.88	1.56%	48,593,544.00	-1.58%	47,824,797.00
4. Other Local Revenues	8600-8799	41,066,699.85	-0.58%	40,826,700.00	0.00%	40,826,700.00
5. Other Financing Sources						
a. Transfers In	8900-8929	0.00	0.00%		0.00%	
b. Other Sources	8930-8979	0.00	0.00%		0.00%	
c. Contributions	8980-8999	70,327,977.00	3.85%	73,032,498.00	3.86%	75,854,196.00
6. Total (Sum lines A1 thru A5c)		206,348,580.85	1.89%	210,256,754.00	1.44%	213,285,631.00
B. EXPENDITURES AND OTHER FINANCING USES						
1. Certificated Salaries						
a. Base Salaries				53,115,014.55		55,852,153.55
b. Step & Column Adjustment				796,725.00		837,782.00
c. Cost-of-Living Adjustment						
d. Other Adjustments				1,940,414.00		(1,646,259.00)
e. Total Certificated Salaries (Sum lines B1a thru B1d)	1000-1999	53,115,014.55	5.15%	55,852,153.55	-1.45%	55,043,676.55
2. Classified Salaries						
a. Base Salaries				36,069,443.16		37,928,185.16
b. Step & Column Adjustment				541,042.00		568,923.00
c. Cost-of-Living Adjustment						
d. Other Adjustments				1,317,700.00		(1,117,945.00)
e. Total Classified Salaries (Sum lines B2a thru B2d)	2000-2999	36,069,443.16	5.15%	37,928,185.16	-1.45%	37,379,163.16
3. Employee Benefits	3000-3999	51,788,511.52	9.24%	56,572,168.00	3.19%	58,376,577.00
4. Books and Supplies	4000-4999	16,264,702.14	6.90%	17,387,627.00	-0.09%	17,372,407.00
5. Services and Other Operating Expenditures	5000-5999	33,473,043.69	6.90%	35,784,042.00	-0.09%	35,752,721.00
6. Capital Outlay	6000-6999	35,000.00	3.19%	36,117.00	-0.09%	36,085.00
7. Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	2,040,000.00	199.02%	6,100,000.00	0.00%	6,100,000.00
8. Other Outgo - Transfers of Indirect Costs	7300-7399	2,658,773.52	6.72%	2,837,411.00	0.20%	2,842,993.00
9. Other Financing Uses						
a. Transfers Out	7600-7629	0.00	0.00%		0.00%	
b. Other Uses	7630-7699	0.00	0.00%		0.00%	
10. Other Adjustments (Explain in Section F below)						
11. Total (Sum lines B1 thru B10)		195,444,488.58	8.73%	212,497,703.71	0.19%	212,903,622.71
C. NET INCREASE (DECREASE) IN FUND BALANCE						
(Line A6 minus line B11)						
		10,904,092.27		(2,240,949.71)		382,008.29
D. FUND BALANCE						
1. Net Beginning Fund Balance (Form 01, line F1e)		9,816,124.10		20,720,216.37		18,479,266.66
2. Ending Fund Balance (Sum lines C and D1)		20,720,216.37		18,479,266.66		18,861,274.95
3. Components of Ending Fund Balance						
a. Nonspendable	9710-9719	0.00				
b. Restricted	9740	20,720,216.37		18,479,266.66		18,861,274.95
c. Committed						
1. Stabilization Arrangements	9750					
2. Other Commitments	9760					
d. Assigned	9780					
e. Unassigned/Unappropriated						
1. Reserve for Economic Uncertainties	9789					
2. Unassigned/Unappropriated	9790	0.00		0.00		0.00
f. Total Components of Ending Fund Balance						
(Line D3f must agree with line D2)						
		20,720,216.37		18,479,266.66		18,861,274.95

Description	Object Codes	2017-18 Budget (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
E. AVAILABLE RESERVES						
1. General Fund						
a. Stabilization Arrangements	9750					
b. Reserve for Economic Uncertainties	9789					
c. Unassigned/Unappropriated	9790					
(Enter reserve projections for subsequent years 1 and 2 in Columns C and E; current year - Column A - is extracted.)						
2. Special Reserve Fund - Noncapital Outlay (Fund 17)						
a. Stabilization Arrangements	9750					
b. Reserve for Economic Uncertainties	9789					
c. Unassigned/Unappropriated	9790					
3. Total Available Reserves (Sum lines E1a thru E2c)						
F. ASSUMPTIONS						
Please provide below or on a separate attachment, the assumptions used to determine the projections for the first and second subsequent fiscal years. Further, please include an explanation for any significant expenditure adjustments projected in lines B1d, B2d, and B10. For additional information, please refer to the Budget Assumptions section of the SACS Financial Reporting Software User Guide.						

Description	Object Codes	2017-18 Budget (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
<p>Assumes ADA of 35,040.39 for base year, remaining flat for out years GAP funding: 43.97% for base year, 71.53% for 2018-19, and 73.51 for 2019-2020 Step and Column applied at 1.5% for each year STRS rate applied: 14.43% for base year, 16.28% for 2018-19, and 18.13% for 2019-20 PERS rate applied: 15.53% for base year, 18.10% for 2018-19, and 20.80% for 2019-20</p>						

Description	Object Codes	2017-18 Budget (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
(Enter projections for subsequent years 1 and 2 in Columns C and E; current year - Column A - is extracted)						
A. REVENUES AND OTHER FINANCING SOURCES						
1. LCFF/Revenue Limit Sources	8010-8099	362,006,094.21	3.53%	374,778,783.00	2.67%	384,767,073.00
2. Federal Revenues	8100-8299	44,758,165.12	1.56%	45,456,393.00	2.15%	46,433,705.00
3. Other State Revenues	8300-8599	61,052,824.53	-6.89%	56,845,132.00	-1.04%	56,253,794.00
4. Other Local Revenues	8600-8799	75,536,343.04	0.48%	75,895,970.00	1.56%	77,076,401.00
5. Other Financing Sources						
a. Transfers In	8900-8929	564,067.00	0.00%	564,067.00	0.00%	564,067.00
b. Other Sources	8930-8979	0.00	0.00%	0.00	0.00%	0.00
c. Contributions	8980-8999	0.00	0.00%	0.00	0.00%	0.00
6. Total (Sum lines A1 thru A5c)		543,917,493.90	1.77%	553,540,345.00	2.09%	565,095,040.00
B. EXPENDITURES AND OTHER FINANCING USES						
1. Certificated Salaries						
a. Base Salaries				192,026,390.83		196,847,200.83
b. Step & Column Adjustment				2,880,396.00		2,952,708.00
c. Cost-of-Living Adjustment				0.00		0.00
d. Other Adjustments				1,940,414.00		(1,646,259.00)
e. Total Certificated Salaries (Sum lines B1a thru B1d)	1000-1999	192,026,390.83	2.51%	196,847,200.83	0.66%	198,153,649.83
2. Classified Salaries						
a. Base Salaries				91,721,041.22		94,414,557.22
b. Step & Column Adjustment				1,375,816.00		1,416,219.00
c. Cost-of-Living Adjustment				0.00		0.00
d. Other Adjustments				1,317,700.00		(1,117,945.00)
e. Total Classified Salaries (Sum lines B2a thru B2d)	2000-2999	91,721,041.22	2.94%	94,414,557.22	0.32%	94,712,831.22
3. Employee Benefits	3000-3999	132,565,117.01	8.97%	144,451,901.00	5.65%	152,606,267.00
4. Books and Supplies	4000-4999	30,803,518.89	4.01%	32,038,157.00	1.26%	32,441,942.00
5. Services and Other Operating Expenditures	5000-5999	69,743,708.35	3.71%	72,333,403.00	1.40%	73,347,394.00
6. Capital Outlay	6000-6999	35,000.00	3.19%	36,117.00	-0.09%	36,085.00
7. Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	8,127,521.00	49.95%	12,187,521.00	0.00%	12,187,521.00
8. Other Outgo - Transfers of Indirect Costs	7300-7399	(1,613,139.02)	0.00%	(1,613,139.00)	0.00%	(1,613,139.00)
9. Other Financing Uses						
a. Transfers Out	7600-7629	1,504,588.00	3.19%	1,552,584.00	2.86%	1,596,988.00
b. Other Uses	7630-7699	0.00	0.00%	0.00	0.00%	0.00
10. Other Adjustments				0.00		0.00
11. Total (Sum lines B1 thru B10)		524,913,746.28	5.21%	552,248,302.05	2.03%	563,469,539.05
C. NET INCREASE (DECREASE) IN FUND BALANCE						
(Line A6 minus line B11)						
		19,003,747.62		1,292,042.95		1,625,500.95
D. FUND BALANCE						
1. Net Beginning Fund Balance (Form 01, line F1e)		18,247,595.67		37,251,343.29		38,543,386.24
2. Ending Fund Balance (Sum lines C and D1)		37,251,343.29		38,543,386.24		40,168,887.19
3. Components of Ending Fund Balance						
a. Nonspendable	9710-9719	150,000.00		150,000.00		150,000.00
b. Restricted	9740	20,720,216.37		18,479,266.66		18,861,274.95
c. Committed						
1. Stabilization Arrangements	9750	0.00		0.00		0.00
2. Other Commitments	9760	5,882,851.99		8,869,153.54		9,888,221.46
d. Assigned	9780	0.00		0.00		0.00
e. Unassigned/Unappropriated						
1. Reserve for Economic Uncertainties	9789	10,498,274.93		11,044,966.04		11,269,390.78
2. Unassigned/Unappropriated	9790	0.00		0.00		0.00
f. Total Components of Ending Fund Balance (Line D3f must agree with line D2)		37,251,343.29		38,543,386.24		40,168,887.19

Description	Object Codes	2017-18 Budget (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
E. AVAILABLE RESERVES						
1. General Fund						
a. Stabilization Arrangements	9750	0.00		0.00		0.00
b. Reserve for Economic Uncertainties	9789	10,498,274.93		11,044,966.04		11,269,390.78
c. Unassigned/Unappropriated	9790	0.00		0.00		0.00
d. Negative Restricted Ending Balances (Negative resources 2000-9999)	979Z			0.00		0.00
2. Special Reserve Fund - Noncapital Outlay (Fund 17)						
a. Stabilization Arrangements	9750	0.00		0.00		0.00
b. Reserve for Economic Uncertainties	9789	0.00		0.00		0.00
c. Unassigned/Unappropriated	9790	0.00		0.00		0.00
3. Total Available Reserves - by Amount (Sum lines E1a thru E2c)		10,498,274.93		11,044,966.04		11,269,390.78
4. Total Available Reserves - by Percent (Line E3 divided by Line F3c)		2.00%		2.00%		2.00%
F. RECOMMENDED RESERVES						
1. Special Education Pass-through Exclusions						
For districts that serve as the administrative unit (AU) of a special education local plan area (SELPA):						
a. Do you choose to exclude from the reserve calculation the pass-through funds distributed to SELPA members?	No					
b. If you are the SELPA AU and are excluding special education pass-through funds:						
1. Enter the name(s) of the SELPA(s):						
2. Special education pass-through funds (Column A: Fund 10, resources 3300-3499 and 6500-6540, objects 7211-7213 and 7221-7223; enter projections for subsequent years 1 and 2 in Columns C and E)						
		0.00		0.00		0.00
2. District ADA						
Used to determine the reserve standard percentage level on line F3d (Col. A: Form A, Estimated P-2 ADA column, Lines A4 and C4; enter projections)						
		35,040.39		35,040.39		35,040.39
3. Calculating the Reserves						
a. Expenditures and Other Financing Uses (Line B11)		524,913,746.28		552,248,302.05		563,469,539.05
b. Plus: Special Education Pass-through Funds (Line F1b2, if Line F1a is No)		0.00		0.00		0.00
c. Total Expenditures and Other Financing Uses (Line F3a plus line F3b)		524,913,746.28		552,248,302.05		563,469,539.05
d. Reserve Standard Percentage Level (Refer to Form 01CS, Criterion 10 for calculation details)		2%		2%		2%
e. Reserve Standard - By Percent (Line F3c times F3d)		10,498,274.93		11,044,966.04		11,269,390.78
f. Reserve Standard - By Amount (Refer to Form 01CS, Criterion 10 for calculation details)		0.00		0.00		0.00
g. Reserve Standard (Greater of Line F3e or F3f)		10,498,274.93		11,044,966.04		11,269,390.78
h. Available Reserves (Line E3) Meet Reserve Standard (Line F3g)		YES		YES		YES

Description	Object Codes	2017-18 Budget (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
E. AVAILABLE RESERVES						
1. General Fund						
a. Stabilization Arrangements	9750	0.00		0.00		0.00
b. Reserve for Economic Uncertainties	9789	10,498,274.93		11,044,966.04		11,269,390.78
c. Unassigned/Unappropriated	9790	0.00		0.00		0.00
d. Negative Restricted Ending Balances (Negative resources 2000-9999)	979Z			0.00		0.00
2. Special Reserve Fund - Noncapital Outlay (Fund 17)						
a. Stabilization Arrangements	9750	0.00		0.00		0.00
b. Reserve for Economic Uncertainties	9789	0.00		0.00		0.00
c. Unassigned/Unappropriated	9790	0.00		0.00		0.00
3. Total Available Reserves - by Amount (Sum lines E1a thru E2c)		10,498,274.93		11,044,966.04		11,269,390.78
4. Total Available Reserves - by Percent (Line E3 divided by Line F3c)		2.00%		2.00%		2.00%
F. RECOMMENDED RESERVES						
1. Special Education Pass-through Exclusions						
For districts that serve as the administrative unit (AU) of a special education local plan area (SELPA):						
a. Do you choose to exclude from the reserve calculation the pass-through funds distributed to SELPA members?	No					
b. If you are the SELPA AU and are excluding special education pass-through funds: 1. Enter the name(s) of the SELPA(s):						
2. Special education pass-through funds (Column A: Fund 10, resources 3300-3499 and 6500-6540, objects 7211-7213 and 7221-7223; enter projections for subsequent years 1 and 2 in Columns C and E)						
		0.00		0.00		0.00
2. District ADA Used to determine the reserve standard percentage level on line F3d (Col. A: Form A, Estimated P-2 ADA column, Lines A4 and C4; enter projections)						
		35,040.39		35,040.39		35,040.39
3. Calculating the Reserves						
a. Expenditures and Other Financing Uses (Line B11)		524,913,746.28		552,248,302.05		563,469,539.05
b. Plus: Special Education Pass-through Funds (Line F1b2, if Line F1a is No)		0.00		0.00		0.00
c. Total Expenditures and Other Financing Uses (Line F3a plus line F3b)		524,913,746.28		552,248,302.05		563,469,539.05
d. Reserve Standard Percentage Level (Refer to Form 01CS, Criterion 10 for calculation details)		2%		2%		2%
e. Reserve Standard - By Percent (Line F3c times F3d)		10,498,274.93		11,044,966.04		11,269,390.78
f. Reserve Standard - By Amount (Refer to Form 01CS, Criterion 10 for calculation details)		0.00		0.00		0.00
g. Reserve Standard (Greater of Line F3e or F3f)		10,498,274.93		11,044,966.04		11,269,390.78
h. Available Reserves (Line E3) Meet Reserve Standard (Line F3g)		YES		YES		YES



OAKLAND UNIFIED SCHOOL DISTRICT

Community Schools, Thriving Students

2016-17 Unaudited Actuals Closing of the Books



Presented to the Board of Education

Vernon Hal, Senior Business Officer

Gloria Gamblin, Interim CFO

Ryan Nguyen, Controller

September 13, 2017

www.ousd.org



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2016-17 Unaudited Actuals

Executive Summary

2016-17 Unaudited Actuals Executive Summary



The District closed the financial books for fiscal year 2016-17 and presents the Unaudited Actuals Financial Report for Board review and approval. Staff recommends approval of this report and submission to the County Office of Education by September 15.

Major Fiscal Accomplishments & Challenges

Accomplishments

- The District completed the 2015-16 Audit Report by the statutory deadline (Dec. 2016), and is now current with all audits. This is the first time in over a decade.
- Measure G and Measure N Audits were completed. All Audit Reports are instrumental to the District's credit rating, when passing Bonds and Parcel Tax Measures.
- The District refinanced **\$300M** General Obligation (G.O.) Bonds in May 2017 savings taxpayers **\$60M**.
- The Fiscal Crisis Management Assessment Team (FCMAT) conducted and completed a thorough analysis of financial practices as a proactive measure requested by the Board of Education.

2016-17 Unaudited Actuals

Executive Summary

Challenges

- Beginning 2016-17 with little room for over expending:
 - At the 2015-16 year end closing process the District met the state required 2% reserve for economic uncertainty with less than **\$1M** over the reserve.
 - The 2015-16 closing indicated more contributions were needed by at least **\$2.3M** for Food Service and Early Childhood in 2016-17.
- The projected enrollment increase for 2016-17 did not materialize; in fact enrollment decreased from 2015-16 by over 400 students. This resulted in a reduction of LCFF projected revenue by **\$3.9M**.
- The 2016-17 lower enrollment resulted in the potential reduction of 42 teacher FTE's. However, the decision was made to reduce only six, costing the District **\$3.2M**.

2016-17 Unaudited Actuals

Executive Summary

Challenges

- In the fall of 2016, it was determined that the Special Education program would need an additional **\$4.9M** contribution from the unrestricted general fund.
- January 2017, a “spending limitations protocol” and a hiring freeze for selected positions to generate cost savings that could be redesignated to programs that were over budget. This strategy did not yield expected results.
- District leadership hired unfunded positions.
- The Superintendent announced his resignation effective January 2017.

2016-17 Unaudited Actuals Executive Summary

Financial Overview

Reserve for Economic Uncertainty

- **Unrestricted General Fund:** The District ended fiscal year 2016-17 with an unrestricted fund balance of **\$3.4M**, which included a reserve for economic uncertainty of **\$2.9M**.
- **Avoiding state receivership:** Although the reserve for economic uncertainty for 2016-17 is less than the required 2%, a positive unrestricted fund balance avoids state receivership.
- The fund balance is **\$5M** less than the **\$8.4M** projected at Third Interim. The reserve for economic uncertainty is **NOT** sufficient to meet the State required 2% reserve for economic uncertainty of **\$11M**. Third Interim reporting anticipated the District would not meet the 2% reserve requirement.

2016-17 Unaudited Actuals

Executive Summary

Reserve for Economic Uncertainty

- With this level of 2016-17 unrestricted fund balance, the 2017-18 unrestricted fund balance will still start the year with the state required 2% reserve for economic uncertainty. During the 2017-18 adoption, additional funds were set aside in anticipation of the 2016-17 closing shortfall.

General Fund Cash Balances & Monitoring

- The District's General Fund ended the fiscal year with a positive cash balance of **\$23.8M**. Cash balances were monitored closely during the year to ensure that there was sufficient cash to keep pace with expenditures. The District temporarily borrowed **\$26M** from the Alameda County Treasurer and the obligation was paid in full prior to June 30. This borrowing is a cash management method districts use to ensure sufficient cash is available every month to pay obligations.

2016-17 Unaudited Actuals Executive Summary



Self Insurance Fund

- The Self Insurance Fund transferred **\$3.8M** to the General Fund for legal expenses related to the Special Education program covering prior fiscal years (prior to 2015-16).
- As part of the effort to reduce unrestricted expenditures during 2016-17, the self insurance rate charged against payroll was reduced the last four months of the fiscal year. This resulted in a reduction of revenue to the self insurance fund of over **\$2M** from the Third interim budget.
- Legal settlements related to executive transitions cost over **\$1M**.
- The net result of the above on the self insurance fund is a reduction of **\$8M** to the fund balance (from a beginning fund balance of **\$14.8M** to an ending fund balance of **\$6.8M**). This fund balance will need to substantially increase over the next couple of years.

2016-17 Unaudited Actuals Executive Summary



Other Fiscal Items

- The District met the Current Expense Formula/Minimum Classroom Compensation (CEA) Ratio of 55% threshold of instructional expenses to classrooms funded with General Fund Resources.
- **Support for Restricted Programs:** The Unaudited Actuals when compared to the Third Interim projection, reflect an additional contribution of **\$1.1M** to the Special Education Program (**\$120K**), the Early Childhood Fund (**\$227K**), and the Child Nutrition Fund (**\$726K**). The total 2016-17 contribution to Special Education Program **\$56.4M**; Early Childhood Fund **\$2.2M**; and Child Nutrition Fund **\$3.2M**, totals **\$61.8M**.

CAUTION: Fiscal Year 2017-18

Action Needed to Balance Budget

We will be monitoring and reporting back to the Board on the many of the following items:

- **LCFF Revenue** is close to being fully funded, which means the increases from year to year will be significantly reduced.
- Cost of Living Adjustments (**COLAs**) are not expected to keep pace with the true cost of living, meaning we will have the same amount of funding to pay for higher costs.
- **Support** to Special Education, Early Childhood, and Child Nutrition needs to be monitored, and program adjustments must be made, because ***the General Fund is no longer in a position to contribute funding.***

CAUTION: Fiscal Year 2017-18

Action Needed to Balance Budget

- The Structural Deficit in the unrestricted general fund (ongoing revenues are less than ongoing expenses) must be addressed.
- The Unrestricted Reserve balance must be increased to meet Board Policy.
- The Self Insurance Fund is now in jeopardy of becoming a Fund with inadequate reserves (Gap **\$30M**) and revenue to meet its obligations.
- **Overspending may lead to state receivership.**

Budget Management and Accountability

Steps Toward Ongoing Fiscal Vitality

- Present actions taken as a result of the FCMAT report findings to the BOE
- Provide the BOE regular budget revision reports and updates
- Review Districtwide monthly budget reports by the Superintendent and Chief Financial Officer
- Hold regular systems and budget monitoring meetings between Chief Financial Officer and Senior Deputy Chief of Continuous Improvement
- Plan to provide more comprehensive training to District staff on budgeting best practices.

2016-17 Unaudited Actuals

Summary of Unrestricted General Fund Detailed Information

2016-17 Unaudited Actuals

Summary of Unrestricted General Fund – Revenues & Other Financing Sources

The revenues increased **\$2.3M** from Third Interim. The increase is primarily due to the following:

- LCFF revenue **decreased \$1.6M**. This decrease is due to the impact of the “net charter shift”. The State of California allows districts to use the higher P-2 ADA of either the current year or the prior year. During 2016-17 the district’s ADA decreased. As a result, OUSD is using the 2015-16 P-2 ADA for funding purposes for 2016-17. However, if the prior year ADA is used (2015-16), the District must take into account the change of students leaving the District to charters or coming to the District from charter from 2015-16 to 2016-17. There was a net reduction from the District to charters which resulted in the \$1.6M decrease.
- Other state revenue **increased \$2M**. This increase is primarily related to Medical Administrative Activity (M.A.A.) revenue. The increase is due to the accrual of prior year MAA revenue, now that the state has begun to start disbursing the funds.

2016-17 Unaudited Actuals

Summary of Unrestricted General Fund – Revenues & Other Financing Sources

- Local revenues **increased \$1.8M**. This increase is primarily due to 1) additional PGE rebate (\$1M); 2) additional ERATE reimbursement (\$540K); and 3) additional Redevelopment funds – RDA (\$347K).

Other Financing Sources/Uses also increased **\$2.5M** net from Third Interim. The increase is primarily due to the following:

- The transfer in from the Self Insurance fund **increased \$4.2M**. Of this increase, \$3.8M is related to prior year Special Education legal cost paid by the unrestricted general fund being reimbursed.
- Other Transfers Out **increased \$1M** primarily due to additional support for the Food Service and Early Childhood funds, \$726K and \$227K respectively.
- Contributions to restricted programs **increased \$.7M** primarily due to Special Education \$120K and Federal Program Monitoring (FPM) audit findings related to Title 1 & 2 of \$540K.

2016-17 Unaudited Actuals



Summary of Unrestricted General Fund – Expenses & Uses

Expenses & Uses **increased \$9.1M** over the Third Interim. The increase is primarily due to the following:

- Salaries & benefits **increased \$4.6M**. The OEA arbitration award represents \$1M. The remaining \$3.6M is approximately a 1% variance from the Third Interim and includes the reduction in the workers comp rate against payroll for the last four months of the fiscal year.
- Supplies, Services & Equipment **increased \$3M**. This is a 7% variance from the Third Interim. This increase is based on the Third Interim budget anticipating a reduction of expenses related to the “spending limitations protocol”. However, the reductions did not materialize.
- Other outgo and indirect cost (an expense offset) **decreased \$1.4M**. Over \$.5M of the decrease is due to the over expenditure of Title1 funds thereby reducing the amount available to fully charge indirect cost.



2016-17 Unaudited Actuals

Summary of Unrestricted General Fund—Ending Fund Balance

The **\$3.4M** ending fund balance decreased **\$5M** from the **\$8.4M** at Third Interim based on the following:

- \$2.3M net increase in revenue
- \$2.5M net increase in other financing sources
- **\$(9.1M)** net increase in expenses & other uses
- **\$(0.7M)** decrease/adjustment to the beginning fund balance to agree to the 2015-16 audit report

2016-17:

- The District ended the fiscal year with an unrestricted fund balance of **\$3.4M**
- The reserve for economic uncertainty of **\$2.9M** did not meet the State required 2% of **\$11M**. Third Interim reporting anticipated the District would not meet this requirement.

2016-17 Unaudited Actuals

Summary of Unrestricted General Fund–Ending Fund Balance

2017-18:

- Although the reserve for economic uncertainty for 2016-17 is less than the required 2%, the positive unrestricted fund balance **avoids state receivership**.
- The 2017-18 unrestricted fund balance will still start the year with the state required 2% reserve for economic uncertainty because during the 2017-18 adoption, additional funds were set aside in anticipation of the 2016-17 closing shortfall.

NOTE: *The OUSD policy calls for at least 3% reserve.*

2016-17 Unaudited Actuals

Summary of Combined Unrestricted & Restricted General Fund

2016-17 Unaudited Actuals

Summary of Combined Unrestricted & Restricted General Fund

Description	Unaudited Actuals	Third Interim	Difference	%
LCFF Sources				
State Aid	215,998,483	217,562,264	(1,563,782)	-0.7%
Property Taxes	93,248,240	92,785,158	463,082	0.5%
Education Protection Act - EPA	46,574,013	47,055,026	(481,013)	-1.0%
Total LCFF Sources	355,820,735	357,402,448	(1,581,713)	-0.4%
Federal Revenue	44,636,387	49,563,105	(4,926,718)	-9.9%
Other State Revenue	64,918,831	62,654,277	2,264,554	3.6%
Other Local Revenue	70,526,273	68,888,030	1,638,243	2.4%
Total Revenues	535,902,227	538,507,861	(2,605,634)	-0.5%
Certificated Salaries	201,607,593	198,618,774	2,988,820	1.5%
Classified Salaries	99,365,021	96,672,513	2,692,508	2.8%
Employee Benefits	133,822,986	132,569,364	1,253,622	0.9%
Books & Supplies	14,375,203	28,401,175	(14,025,972)	-49.4%
Services, Other Op Expenses	87,778,636	84,885,187	2,893,449	3.4%
Capital Outlay	2,912,076	3,022,181	(110,105)	-3.6%
Other Outgo	8,808,723	8,891,040	(82,317)	-0.9%
Direct Support/Indirect Costs	(1,733,703)	(1,527,237)	(206,466)	13.5%
Total Expenditures	546,936,534	551,532,997	(4,596,463)	-0.8%
Excess/(Deficiency) of Revenue of Expense	(11,034,307)	(13,025,136)	1,990,829	-15.3%

2016-17 Unaudited Actuals

Summary of Combined Unrestricted & Restricted General Fund

(Cont.)

Description	Unaudited Actuals	Third Interim	Difference	%
Interfund - Transfer In	5,036,579	847,032	4,189,547	494.6%
Interfund - Transfer Out	(5,421,976)	(4,468,860)	(953,116)	21.3%
Other Financing Sources/Uses	(385,397)	(3,621,828)	3,236,430	-89.4%
Net Increase in Fund Balance	(11,419,705)	(16,646,964)	5,227,259	-31.4%
Beginning Fund Balance - July 1, 2016	34,895,560	34,895,560	-	0.0%
Ending Fund Balance - June 30, 2017	23,475,855	18,248,596	5,227,259	28.6%

2016-17 Unaudited Actuals



Summary of Combined Unrestricted & Restricted General Fund

Fund Balance Detail

	Unaudited Actuals	Third Interim	Difference
Ending Fund Balance	23,475,855	18,248,596	5,227,259
Components of Ending Fund Balance:			
Reserve for Economic Uncertainty	2,906,899	8,281,471	(5,374,572)
Designated for the Following:			
Revolving Cash	150,000	150,000	-
Prepaid	363,174	-	363,174
Restricted	20,055,783	9,817,125	10,238,658
Total Ending Fund Balance	23,475,855	18,248,596	5,227,259

2016-17 Unaudited Actuals

Summary of Unrestricted General Fund

2016-17 Unaudited Actuals

Summary of Unrestricted General Fund



Notes	Description	Unaudited Actuals	Third Interim	Difference	%
	LCFF Sources				
	State Aid	215,788,483	217,562,264	(1,773,782)	-0.8%
	Property Taxes	90,801,295	90,110,000	691,295	0.8%
	Education Protection Act - EPA	46,574,013	47,055,026	(481,013)	-1.0%
	Total LCFF Sources	353,163,790	354,727,290	(1,563,500)	-0.4%
	Federal Revenue	52,364	55,801	(3,437)	-6.2%
	Other State Revenue	17,611,233	15,592,797	2,018,436	12.9%
	Other Local Revenue	36,643,170	34,836,462	1,806,707	5.2%
1	Total Revenues	407,470,557	405,212,350	2,258,207	0.6%
	Certificated Salaries	149,665,180	145,665,246	3,999,934	2.7%
	Classified Salaries	61,634,202	59,009,152	2,625,051	4.4%
	Employee Benefits	84,237,117	86,279,712	(2,042,594)	-2.4%
	Books & Supplies	6,817,615	8,324,144	(1,506,529)	-18.1%
	Services, Other Op Expenses	40,119,367	35,351,055	4,768,312	13.5%
	Capital Outlay	132,368	332,649	(200,282)	-60.2%
	Other Outgo	6,250,750	6,077,046	173,704	2.9%
	Direct Support/Indirect Costs	(4,059,782)	(5,363,263)	1,303,481	-24.3%
2	Total Expenditures	344,796,819	335,675,742	9,121,077	2.7%
	Excess/(Deficiency) of Revenue of Expense	62,673,738	69,536,608	(6,862,870)	-9.9%



2016-17 Unaudited Actuals

Summary of Unrestricted General Fund (Cont.)

Notes	Description	Unaudited Actuals	Third Interim	Difference	%
	Interfund - Transfer In	5,036,579	847,032	4,189,547	494.6%
	Interfund - Transfer Out	(5,421,976)	(4,468,860)	(953,116)	21.3%
	Contributions - to Restricted Programs	(70,662,644)	(69,940,024)	(722,620)	1.0%
3	Other Financing Sources/Uses	(71,048,042)	(73,561,852)	2,513,810	-3.4%
	Net Increase in Fund Balance	(8,374,303)	(4,025,244)	(4,349,059)	108.0%
4	Beginning Fund Balance - July 1, 2016	11,794,376	12,456,715	(662,339)	-5.3%
	Ending Fund Balance - June 30, 2017	3,420,073	8,431,471	(5,011,398)	-59.4%

2016-17 Unaudited Actuals

Summary of Unrestricted General Fund

Fund Balance Detail



	Unaudited Actuals	Third Interim	Difference
Ending Fund Balance	3,420,073	8,431,471	(5,011,398)
Components of Ending Fund Balance:			
Reserve for Economic Uncertainty	2,906,899	8,281,471	(5,374,572)
Designated for the Following:			
Revolving Cash	150,000	150,000	-
Prepays	363,174	-	363,174
Total Ending Fund Balance	3,420,073	8,431,471	(5,011,398)

2016-17 Unaudited Actuals

Summary of Unrestricted General Fund

Difference Notes



Note #	Comments	Difference
1	Revenues	
	LCFF Sources - Adjust State Aid to Property Tax	\$ (1,773,782)
	LCFF Sources - Decrease in Property Taxes	691,295
	LCFF Sources - Education Protection Act	(481,013)
	LCFF Total	(1,563,500)
	Federal Revenue	(3,437)
	State Revenue - Incr in M.A.A. Revenue	2,018,436
	Local Revenue - PGE Rebate; ERATE Reimb; RDA funds	1,806,707
	Total Difference in Revenues	\$ 2,258,207
2	Expenditures & Uses	
	Salaries & Benefits - Less OEA Arbitration Est. Cost (Approx 1% variance)	\$ 3,632,390
	Salaries & Benefits - OEA Est Arbitration Cost	950,000
	Salaries & Benefits Total	4,582,390
	Supplies, Services & Capital Outlay - Schools & Central Site Allocations	3,061,501
	Other Expenses & Indirect Cost (exps offset)- Net	1,477,186
	Total Difference in Expenditures & Uses	\$ 9,121,077
	Excess/(Deficiency) of Revenue Over Expense	\$ (6,862,870)

2016-17 Unaudited Actuals

Summary of Unrestricted General Fund

Difference Notes (Cont.)



Note #	Comments	Difference
3	Other Financing Sources/Uses	
	Interfund Transfer in - Self Insurance (\$3.6M is pr yrs PEC legal cost paid by Gen Fd)	\$ 4,189,547
	Transfers to Other Funds:	
	Food Service Fund	(726,239)
	Early Childhood Fund	(226,877)
	Transfers Out Total	(953,116)
	Contributions:	
	Special Education	(119,745)
	Routine Repair & Maintenance (RRMA/B&G)	(74,056)
	Federal Program Monitoring Audit Finding (Title 1 & 2)	(539,759)
	ROTC	10,940
	Contribution Total	(722,620)
	Total Other Financing Sources/Uses	\$ 2,513,810
4	Beginning Fund Balance - Adjustment	(662,339)

2016-17 Unaudited Actuals

Summary of Restricted General Fund



2016-17 Unaudited Actuals Summary of Restricted General Fund

Description	Unaudited Actuals	Third Interim	Difference	%
LCFF Sources				
Property Taxes	2,656,945	2,675,158	(18,213)	-0.7%
Total LCFF Sources	2,656,945	2,675,158	(18,213)	-0.7%
Federal Revenue	44,584,023	49,507,304	(4,923,281)	-9.9%
Other State Revenue	47,307,598	47,061,480	246,118	0.5%
Other Local Revenue	33,883,103	34,051,568	(168,465)	-0.5%
Total Revenues	128,431,670	133,295,511	(4,882,054)	-0.2%
Certificated Salaries	51,942,413	52,953,527	(1,011,114)	-1.9%
Classified Salaries	37,730,819	37,663,362	67,457	0.2%
Employee Benefits	49,585,868	46,289,652	3,296,216	7.1%
Books & Supplies	7,557,588	20,077,031	(12,519,443)	-62.4%
Services, Other Op Expenses	47,659,269	49,534,132	(1,874,863)	-3.8%
Capital Outlay	2,779,708	2,689,532	90,176	3.4%
Other Outgo	2,557,973	2,813,994	(256,022)	
Direct Support/Indirect Costs	2,326,078	3,836,025	(1,509,947)	-39.4%
Total Expenditures	202,139,716	215,857,255	(13,717,540)	-6.4%
Excess/(Deficiency) of Revenue of Expense	(73,708,046)	(82,561,744)	8,853,698	-10.7%

2016-17 Unaudited Actuals

Summary of Restricted General Fund (Cont.)



Description	Unaudited Actuals	Third Interim	Difference	%
Interfund - Transfer In	-	-	-	
Interfund - Transfer Out	-	-	-	
Contributions - to Restricted Programs	70,662,644	69,940,024	722,620	1.0%
Other Financing Sources/Uses	70,662,644	69,940,024	722,620	1.0%
Net Increase in Fund Balance	(3,045,401)	(12,621,720)	9,576,319	-75.9%
Beginning Fund Balance - July 1, 2016	23,101,184	22,438,845	662,339	3.0%
Ending Fund Balance - June 30, 2017	20,055,783	9,817,125	10,238,658	104.3%

2016-17 Unaudited Actuals

Summary of Restricted General Fund

Fund Balance Detail



	Unaudited Actuals	Third Interim	Difference
Ending Fund Balance	20,055,783	9,817,125	10,238,658
Components of Ending Fund Balance:			
Reserve for Economic Uncertainty			
Designated for the Following:			
Revolving Cash			
Prepaid			
Restricted	20,055,783	9,817,125	10,238,658
Additional Reserve			
Total Ending Fund Balance	20,055,783	9,817,125	10,238,658

2016-17 Unaudited Actuals

Summary All Fund

2016-17 Unaudited Actuals

Summary of All Fund

Total Expenses



EXPENSES (Object Codes (1000--7999))					
Fd #	Fund Description	2016-17	2016-17	Diff	
		Closing	Third Interim		
		\$\$\$	\$\$\$	\$\$\$	%
General Fund					
01	Gen Fund - Unrestricted	344,796,819	335,675,742	9,121,077	2.6%
01	Gen Fund - Restricted	202,139,716	215,857,255	(13,717,540)	-6.8%
Total General Fund		546,936,534	551,532,997	(4,596,463)	-4.1%
11	Adult Education	2,251,615	4,047,693	(1,796,078)	-79.8%
12	Early Childhood Education	13,618,095	13,833,750	(215,655)	-1.6%
13	Cafeteria	20,870,900	20,000,913	869,987	4.2%
Facility Related Fund					
14	Deferred Maintenance				
21	Gen. Obl. Bonds.	61,260,838	170,860,906	(109,600,067)	-178.9%
25	Dev. Fee / Redev	868,961	1,300,910	(431,950)	-49.7%
35	State Modernization	4,881,361	6,952,631	(2,071,270)	-42.4%
40	Williams Settlement	288,207	580,109	(291,902)	-101.3%
Total Facility Related Funds		67,299,367	179,694,556	(112,395,189)	-167.0%
51	Bond Int and Redemption	83,740,722	83,742,210	(1,488)	0.0%
67	Self Insurance	24,762,419	25,427,664	(665,244)	-2.7%
ALL FUNDS		759,479,653	878,279,784	(118,800,130)	-15.6%

2016-17 Unaudited Actuals

Summary of All Fund



Other Funds – Adult Education, Child Development, Cafeteria

Description	11 - ADULT EDUCATION FUND	12 - CHILD DEVELOPMENT FUND	13 - CAFETERIA FUND
LCFF Sources			
Federal Revenue	190,888	1,082,895	16,276,564
Other State Revenue	2,672,577	9,947,776	888,017
Local Revenue - Interest Earnings	-	-	-
Local Revenue - Redevelopment Funds	-	-	-
Local Revenue - Developer Fees	-	-	-
Local Revenue - Facilities Rental	-	-	-
Local Revenue - Other	122,394	464,524	655,681
Total Revenues	2,985,858	11,495,194	17,820,262
Certificated Salaries	1,224,265	3,441,082	-
Classified Salaries	245,803	3,637,842	6,893,955
Employee Benefits	481,741	3,901,680	3,380,125
Books & Materials/Supplies	72,589	82,431	9,472,809
Services, Other Op Expenses	146,762	1,872,075	87,362
Capital Outlay	-	-	66,385
Other Outgo	-	-	-
Direct Support/Indirect Costs	80,455	682,985	970,263
Total Expenditures	2,251,615	13,618,095	20,870,899
Excess/(Deficiency) of Revenue of Expense	734,243	(2,122,900)	(3,050,637)



2016-17 Unaudited Actuals

Summary of All Fund

Other Funds – Adult Education, Child Development, Cafeteria (Cont.)

Description	11 - ADULT EDUCATION FUND	12 - CHILD DEVELOPMENT FUND	13 - CAFETERIA FUND
Transfers Out/In & Other Reinstatements	-	2,113,513	3,044,396
Contributions - to General Fund	-	-	-
Other Financing Sources/Uses	-	2,113,513	3,044,396
Net Increase/(Decrease) in Fund Balance	734,243	(9,387)	(6,241)
Beginning Fund Balance - July 1, 2016	1,115,697	10,907	6,266
Ending Fund Balance - June 30, 2017	1,849,940	1,520	25

2016-17 Unaudited Actuals

Summary of All Fund



Other Funds – Deferred Maint., Building, Capital Facilities, County School Facilities

Description	14 - DEFERRED MAINTENANCE FUND	21 - BUILDING FUND	25 - CAPITAL FACILITIES FUND	35 - COUNTY SCHOOL FACILITIES FUND
LCFF Sources				
Federal Revenue	-	-	-	-
Other State Revenue	-	8,698	-	-
Local Revenue - Interest Earnings	-	-	-	-
Local Revenue - Redevelopment Funds	-	-	-	-
Local Revenue - Developer Fees	-	-	-	-
Local Revenue - Facilities Rental	-	-	-	-
Local Revenue - Other	699	1,237,323	10,905,711	23,251
Total Revenues	699	1,246,021	10,905,711	23,251
Certificated Salaries	-	-	-	-
Classified Salaries	-	2,829,144	16,734	22,211
Employee Benefits	-	1,113,860	2,314	3,105
Books & Materials/Supplies	-	726,871	134,574	-
Services, Other Op Expenses	-	8,632,617	394,310	3,287,243
Capital Outlay	-	47,958,345	321,029	1,568,803
Other Outgo	-	-	-	-
Direct Support/Indirect Costs	-	-	-	-
Total Expenditures	-	61,260,837	868,961	4,881,362
Excess/(Deficiency) of Revenue of Expense	699	(60,014,816)	10,036,750	(4,858,111)

2016-17 Unaudited Actuals

Summary of All Fund



Other Funds – Deferred Maint., Building, Capital Facilities, County School Facilities (Cont.)

Description	14 - DEFERRED MAINTENANCE FUND	21 - BUILDING FUND	25 - CAPITAL FACILITIES FUND	35 - COUNTY SCHOOL FACILITIES FUND
Transfers Out/In & Other Reinstatements	-	65,000,000	-	-
Contributions - to General Fund	-	-	-	-
Other Financing Sources/Uses	-	65,000,000	-	-
Net Increase/(Decrease) in Fund Balance	699	4,985,184	10,036,750	(4,858,111)
Beginning Fund Balance - July 1, 2016	4,690	201,865,218	6,466,013	7,826,950
Ending Fund Balance - June 30, 2017	5,389	206,850,402	16,502,763	2,968,839

2016-17 Unaudited Actuals

Summary of All Fund



Other Funds – Capital Projects, Bonds, Self Insurance

Description	40 - SPECIAL RESERVE CAPITAL PROJ	51 - BOND INTEREST & REDEMPTION	67 - SELF INSURANCE FUND
LCFF Sources			
Federal Revenue	-	3,275,049	-
Other State Revenue	-	441,832	9,752
Local Revenue - Interest Earnings	-	-	-
Local Revenue - Redevelopment Funds	-	-	-
Local Revenue - Developer Fees	-	-	-
Local Revenue - Facilities Rental	-	-	-
Local Revenue - Other	45,374	74,307,353	21,528,025
Total Revenues	45,374	78,024,234	21,537,777
Certificated Salaries	-	-	240,365
Classified Salaries	-	-	1,556,411
Employee Benefits	-	-	652,401
Books & Materials/Supplies	25,157	-	33,211
Services, Other Op Expenses	109,652	-	22,280,032
Capital Outlay	153,399	-	-
Other Outgo	-	83,740,722	-
Direct Support/Indirect Costs	-	-	-
Total Expenditures	288,208	83,740,722	24,762,420
Excess/(Deficiency) of Revenue of Expense	(242,834)	(5,716,488)	(3,224,643)

2016-17 Unaudited Actuals

Summary of All Fund



Other Funds – Capital Projects, Bonds, Self Insurance (Cont.)

Description	35 - COUNTY SCHOOL FACILITIES FUND	40 - SPECIAL RESERVE CAPITAL PROJ	51 - BOND INTEREST & REDEMPTION	67 - SELF INSURANCE FUND
Transfers Out/In & Other Reinstatements	-	-	-	4,772,512
Contributions - to General Fund	-	-	-	-
Other Financing Sources/Uses	-	-	-	4,772,512
Net Increase in Fund Balance	(4,858,110)	(242,833)	(5,716,489)	(7,997,154)
Beginning Fund Balance - July 1, 2016	7,826,950	1,473,300	91,649,042	14,778,115
Ending Fund Balance - June 30, 2017	2,968,840	1,230,467	85,932,553	6,780,961



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Ending Balance and Cash

		Beginning Balances (Ref. Only)	July	August	September	October	November	December	January	February
ESTIMATES THROUGH THE MONTH OF										
JUNE										
A. BEGINNING CASH			10,328,577.00	3,801,326.00	11,470,561.00	11,025,705.00	11,675,879.00	2,027,966.00	75,681,257.00	61,190,400.00
B. RECEIPTS										
LCFF/Revenue Limit Sources										
Principal Apportionment	8010-8019		11,437,883.00	11,437,883.00	32,732,823.00	20,588,185.00	20,588,189.00	32,476,523.00	20,588,189.00	18,280,396.00
Property Taxes	8020-8079			4,707,372.00	4,200,717.00	(611.00)	841,412.00	48,804,318.00	530,811.00	14,580,670.00
Miscellaneous Funds	8080-8099			(4,977,850.00)	(2,748,290.00)		(2,212,380.00)	(2,494,296.00)	(1,271,160.00)	(7,618,780.00)
Federal Revenue	8100-8299			59,118.00	3,288,754.00	293,121.00	1,826,388.00	11,999,058.00	1,089,364.00	98,255.00
Other State Revenue	8300-8599		1,439,588.00	1,806,101.00	2,448,052.00	1,741,829.00	3,120,887.00	9,005,684.00	5,181,811.00	1,815,113.00
Other Local Revenue	8600-8799		5,763,882.00	2,262,187.00	985,894.00	1,436,703.00	5,603,803.00	22,309,278.00	2,025,334.00	974,990.00
Interfund Transfers In	8910-8929					165,208.00		292,420.00		
All Other Financing Sources	8930-8979									
TOTAL RECEIPTS			18,641,353.00	15,294,811.00	40,907,950.00	24,224,435.00	29,768,299.00	122,392,985.00	28,144,349.00	28,130,644.00
C. DISBURSEMENTS										
Certificated Salaries	1000-1999		4,935,914.00	4,118,308.00	16,917,156.00	20,357,163.00	18,858,901.00	18,037,566.00	17,839,545.00	18,508,776.00
Classified Salaries	2000-2999		5,337,605.00	5,538,114.00	7,934,354.00	8,253,375.00	8,175,161.00	8,303,652.00	8,823,010.00	8,278,240.00
Employee Benefits	3000-3999		3,889,305.00	3,545,150.00	10,388,312.00	11,299,392.00	10,926,160.00	10,735,163.00	11,055,795.00	10,921,547.00
Books and Supplies	4000-4999		19,122.00	643,225.00	2,059,354.00	2,218,907.00	1,761,712.00	1,035,481.00	1,575,786.00	1,219,361.00
Services	5000-5999		791,804.00	1,960,951.00	4,180,520.00	5,660,144.00	4,420,478.00	7,303,425.00	5,807,139.00	6,133,402.00
Capital Outlay	6000-6599			3,307.00	16,227.00	3,160.00	507.00	167.00	187.00	1,765.00
Other Outgo	7000-7499		489,380.00	489,606.00	489,833.00	1,766,058.00	490,768.00	706,933.00	(145,530.00)	
Interfund Transfers Out	7600-7629					13,491.00				
All Other Financing Uses	7630-7699									
TOTAL DISBURSEMENTS			15,463,130.00	16,298,661.00	41,985,756.00	49,571,690.00	44,633,687.00	46,122,397.00	44,955,932.00	45,063,091.00
D. BALANCE SHEET ITEMS										
<u>Assets and Deferred Outflows</u>										
Cash Not In Treasury	9111-9199		2,552.00	(20.00)						
Accounts Receivable	9200-9299		5,330,189.00	3,141,739.00	2,346,497.00	4,355,980.00	5,060,360.00	37,368.00	957,116.00	79,062.00
Due From Other Funds	9310		6,394,012.00	1,554,362.00				(2,000,000.00)	742,908.00	
Stores	9320									
Prepaid Expenditures	9330		(363,174.00)							
Other Current Assets	9340									
Deferred Outflows of Resources	9490									
SUBTOTAL		0.00	11,363,579.00	4,696,061.00	2,346,497.00	4,355,980.00	5,060,360.00	(1,962,632.00)	1,700,024.00	79,062.00
<u>Liabilities and Deferred Inflows</u>										
Accounts Payable	9500-9599		21,152,331.00	(3,786,645.00)	212,034.00	4,242,245.00	(705.00)	750,550.00	(797,684.00)	(4,318,716.00)
Due To Other Funds	9610									
Current Loans	9640					(26,000,000.00)				
Unearned Revenues	9650									
Deferred Inflows of Resources	9690				1,246,489.00	106,670.00				
SUBTOTAL		0.00	21,152,331.00	(3,786,645.00)	1,458,523.00	(21,651,085.00)	(705.00)	750,550.00	(797,684.00)	(4,318,716.00)
<u>Nonoperating</u>										
Suspense Clearing	9910		83,278.00	190,359.00	(255,024.00)	(9,636.00)	156,410.00	95,885.00	(176,982.00)	(61,037.00)
TOTAL BALANCE SHEET ITEMS		0.00	(9,705,474.00)	8,673,085.00	632,950.00	25,997,429.00	5,217,475.00	(2,617,297.00)	2,320,726.00	4,336,741.00
E. NET INCREASE/DECREASE (B - C + D)			(6,527,251.00)	7,669,235.00	(444,856.00)	650,174.00	(9,647,913.00)	73,653,291.00	(14,490,857.00)	(12,595,706.00)
F. ENDING CASH (A + E)			3,801,326.00	11,470,561.00	11,025,705.00	11,675,879.00	2,027,966.00	75,681,257.00	61,190,400.00	48,594,694.00
G. ENDING CASH, PLUS CASH ACCRUALS AND ADJUSTMENTS										

	Object	March	April	May	June	Accruals	Adjustments	TOTAL	BUDGET
ESTIMATES THROUGH THE MONTH OF									
A. BEGINNING CASH									
	JUNE	48,594,694.00	39,279,983.00	40,347,728.00	25,829,667.00				
B. RECEIPTS									
LCFF/Revenue Limit Sources									
Principal Apportionment	8010-8019	30,862,946.00	18,280,396.00	18,280,396.00	32,956,962.00			268,510,771.00	268,510,769.00
Property Taxes	8020-8079	(1,198,370.00)	28,680,713.00	8,784,887.00	13,929,240.00			123,861,159.00	123,861,158.19
Miscellaneous Funds	8080-8099	(2,711,504.00)	(2,711,504.00)	(1,425,646.00)	(2,194,423.00)			(30,365,833.00)	(30,365,833.00)
Federal Revenue	8100-8299	3,387,788.00	1,564,929.00	2,098,178.00	9,492,678.00	9,560,535.00		44,758,166.00	44,758,165.12
Other State Revenue	8300-8599	3,630,748.00	4,336,074.00	1,665,252.00	4,964,267.00	19,897,418.00		61,052,824.00	61,052,824.53
Other Local Revenue	8600-8799	1,888,202.00	19,146,776.00	6,938,013.00	2,570,787.00	3,630,494.00		75,536,343.00	75,536,343.04
Interfund Transfers In	8910-8929	106,438.00						564,066.00	564,067.00
All Other Financing Sources	8930-8979							0.00	0.00
TOTAL RECEIPTS		35,966,248.00	69,297,384.00	36,341,080.00	61,719,511.00	33,088,447.00	0.00	543,917,496.00	543,917,493.90
C. DISBURSEMENTS									
Certificated Salaries	1000-1999	18,117,959.00	18,166,038.00	18,352,928.00	12,795,089.00	5,021,048.00		192,026,391.00	192,026,390.83
Classified Salaries	2000-2999	8,133,199.00	8,363,217.00	8,078,582.00	3,193,645.00	3,308,887.00		91,721,041.00	91,721,041.22
Employee Benefits	3000-3999	10,192,037.00	10,180,003.00	10,111,043.00	13,940,207.00	15,381,003.01		132,565,117.01	132,565,117.01
Books and Supplies	4000-4999	1,002,189.00	1,081,642.00	1,325,582.00	15,411,294.00	1,449,853.89		30,803,518.89	30,803,518.89
Services	5000-5999	6,832,887.00	6,964,369.00	8,168,538.00	9,243,649.00	2,276,402.00		69,743,708.00	69,743,708.35
Capital Outlay	6000-6599	20.00	1,406.00	3,777.00	2,833.00	1,644.00		35,000.00	35,000.00
Other Outgo	7000-7499	(31,987.00)	712,143.00		1,241,145.00	306,034.00		6,514,383.00	6,514,381.98
Interfund Transfers Out	7600-7629				1,420,414.00	70,683.00		1,504,588.00	1,504,588.00
All Other Financing Uses	7630-7699							0.00	0.00
TOTAL DISBURSEMENTS		44,246,304.00	45,468,818.00	46,040,450.00	57,248,276.00	27,815,554.90	0.00	524,913,746.90	524,913,746.28
D. BALANCE SHEET ITEMS									
Assets and Deferred Outflows									
Cash Not In Treasury	9111-9199							2,532.00	
Accounts Receivable	9200-9299	100,040.00	841.00	512,153.00	(24,153,527.00)			(2,232,182.00)	
Due From Other Funds	9310			(2,000,000.00)	(3,000,000.00)			1,691,282.00	
Stores	9320							0.00	
Prepaid Expenditures	9330							(363,174.00)	
Other Current Assets	9340							0.00	
Deferred Outflows of Resources	9490				0.00			0.00	
SUBTOTAL		100,040.00	841.00	(1,487,847.00)	(27,153,527.00)	0.00	0.00	(901,542.00)	
Liabilities and Deferred Inflows									
Accounts Payable	9500-9599	1,161,612.00	(3,014,744.00)	3,330,844.00	(20,757,331.00)			(1,826,209.00)	
Due To Other Funds	9610							0.00	
Current Loans	9640		26,000,000.00					0.00	
Unearned Revenues	9650							0.00	
Deferred Inflows of Resources	9690		(107,963.00)		(1,232,016.00)			13,180.00	
SUBTOTAL		1,161,612.00	22,877,293.00	3,330,844.00	(21,989,347.00)	0.00	0.00	(1,813,029.00)	
Nonoperating									
Suspense Clearing	9910	26,917.00	115,631.00		(2,000,000.00)			(1,834,199.00)	
TOTAL BALANCE SHEET ITEMS		(1,034,655.00)	(22,780,821.00)	(4,818,691.00)	(7,164,180.00)	0.00	0.00	(922,712.00)	
E. NET INCREASE/DECREASE (B - C + D)		(9,314,711.00)	1,067,745.00	(14,518,061.00)	(2,692,945.00)	5,272,892.10	0.00	18,081,037.10	19,003,747.62
F. ENDING CASH (A + E)		39,279,983.00	40,347,728.00	25,829,667.00	23,136,722.00				
G. ENDING CASH, PLUS CASH ACCRUALS AND ADJUSTMENTS								28,409,614.10	

Staffing

Oakland Unified School District

Historical Costs and Staffing October 7, 2017



Presented by
 Ron Bennett
 Chief Executive Officer



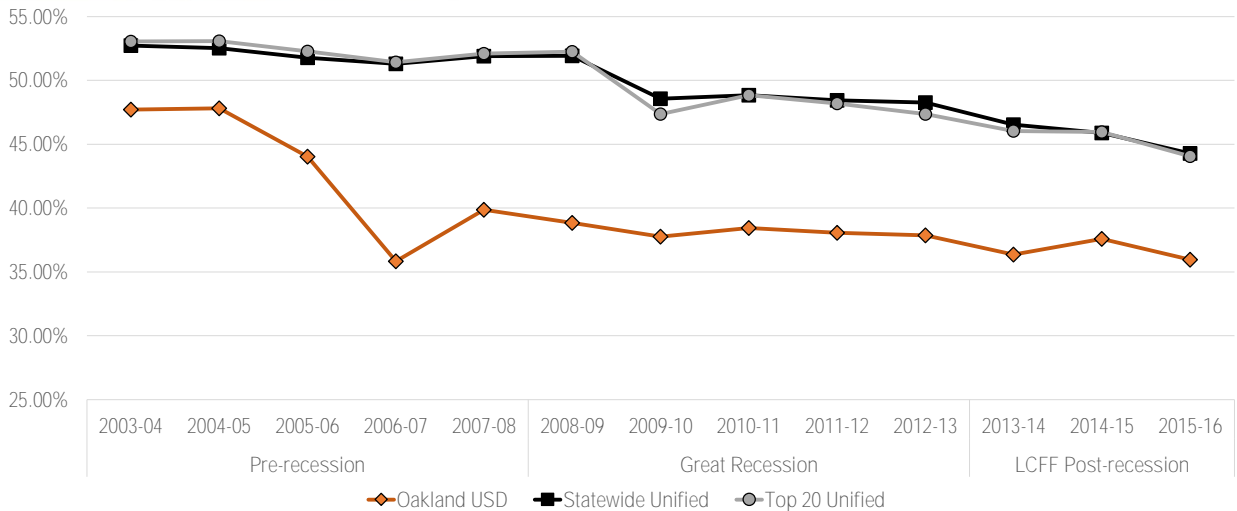
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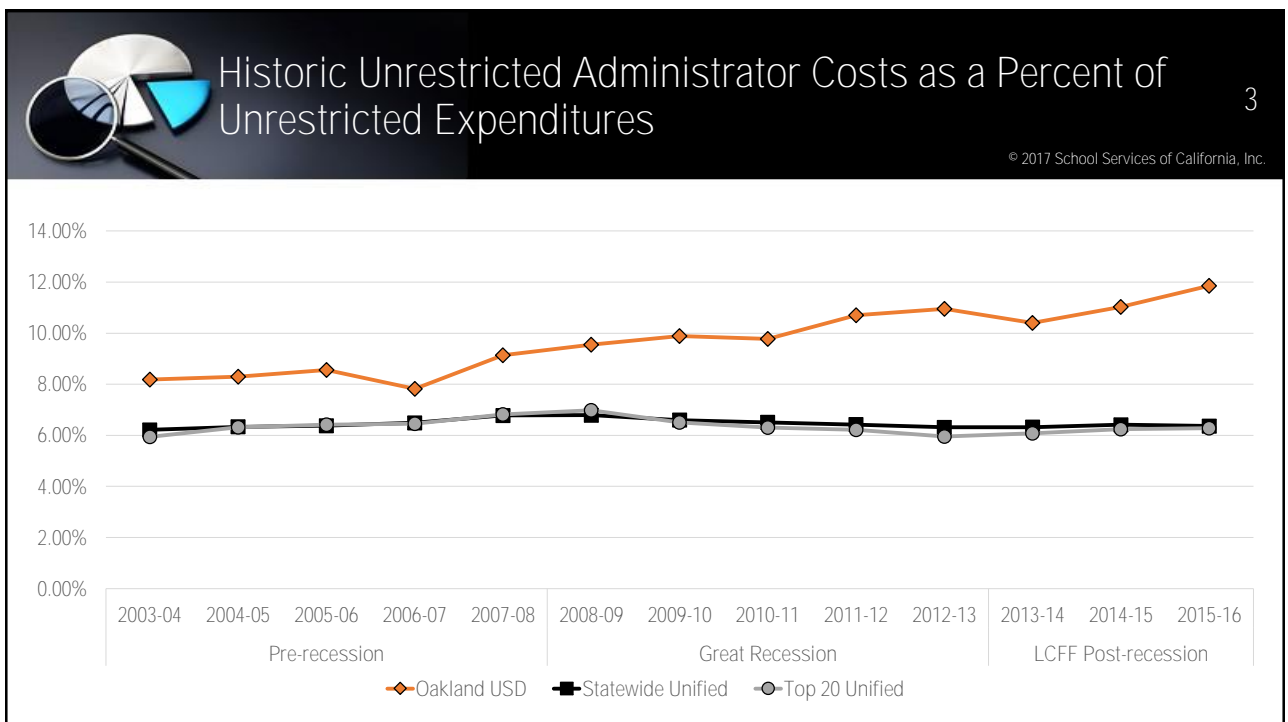
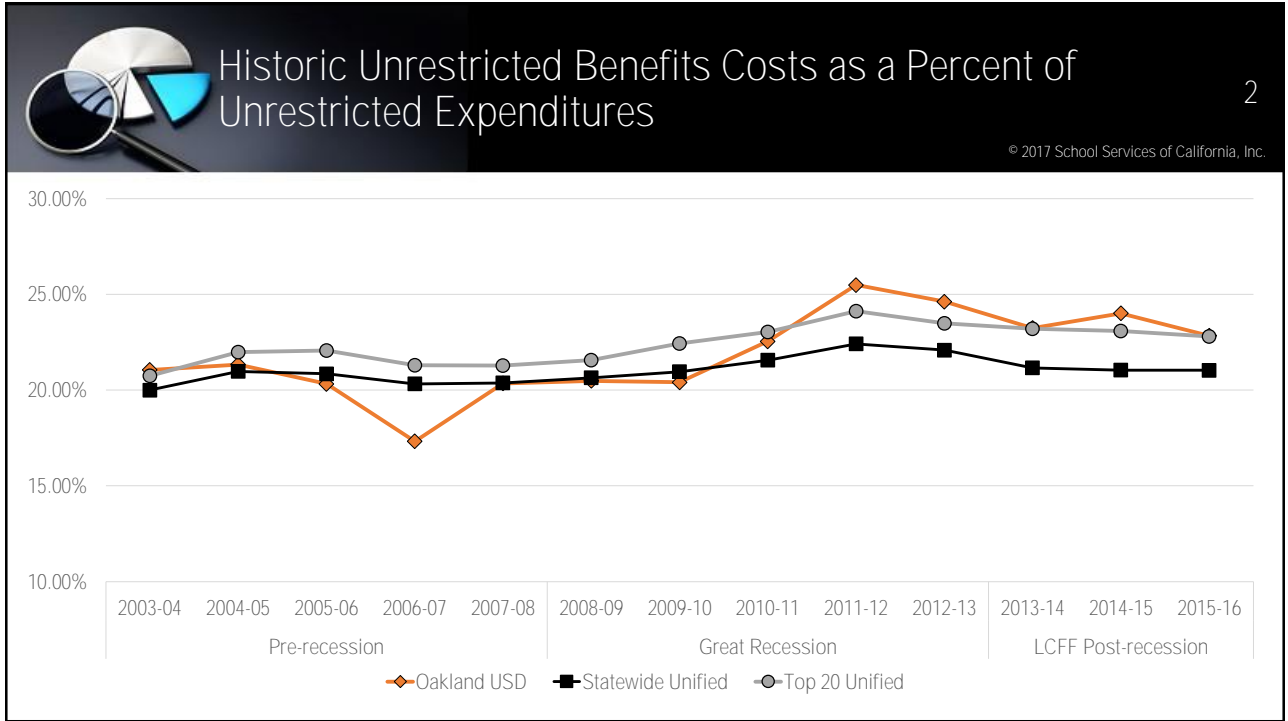
Historic Unrestricted Certificated Non-Management Costs as a Percent of Unrestricted Expenditures

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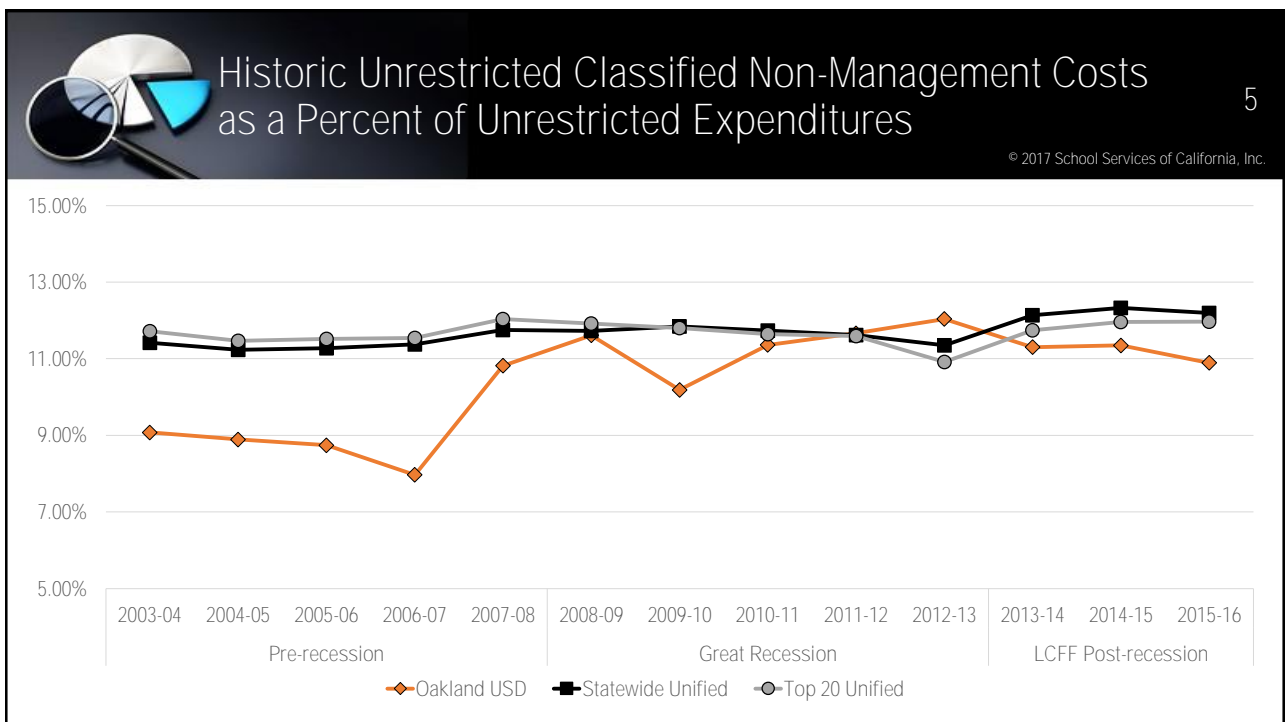
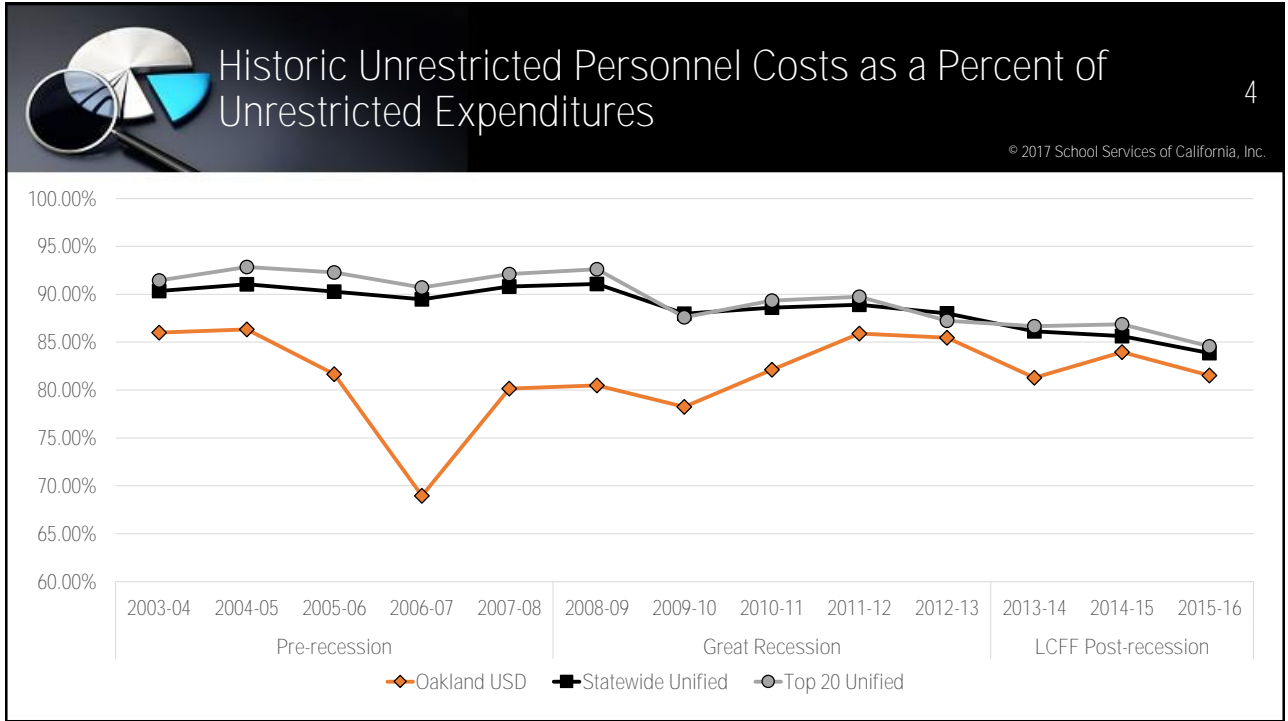
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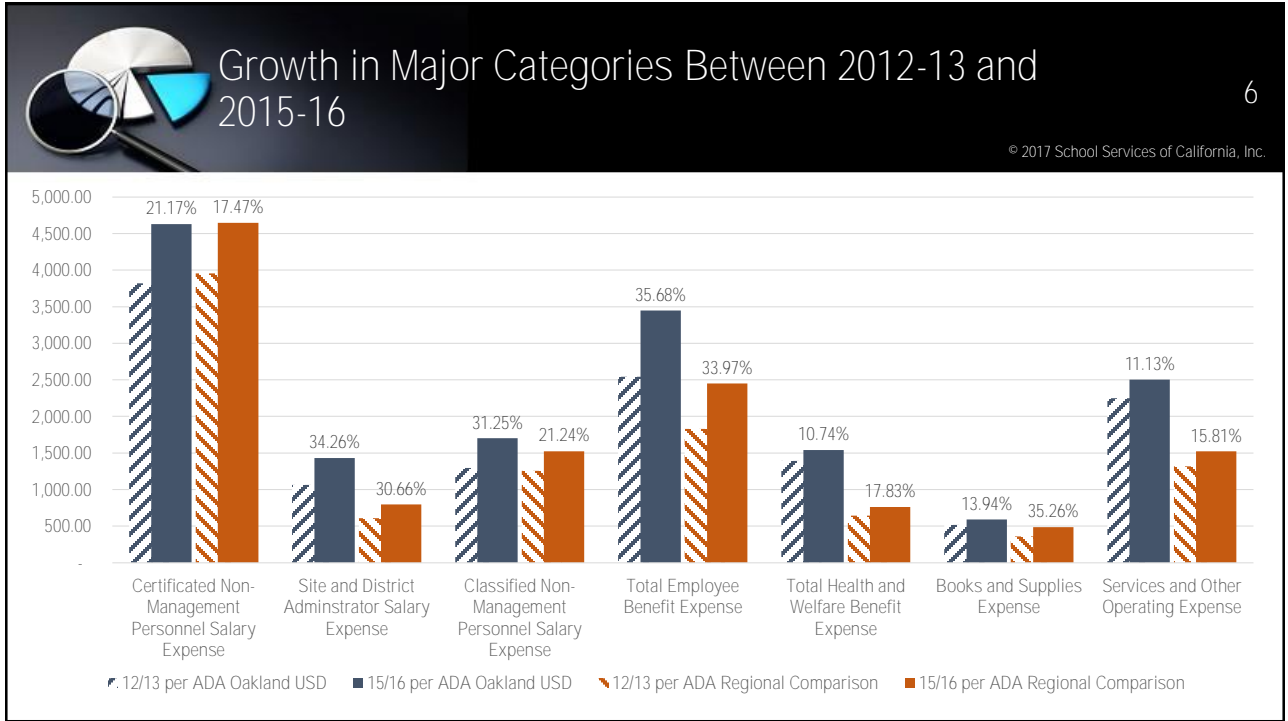
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 Board of Education Retreat
 Historical Costs and Staffing | October 7, 2017



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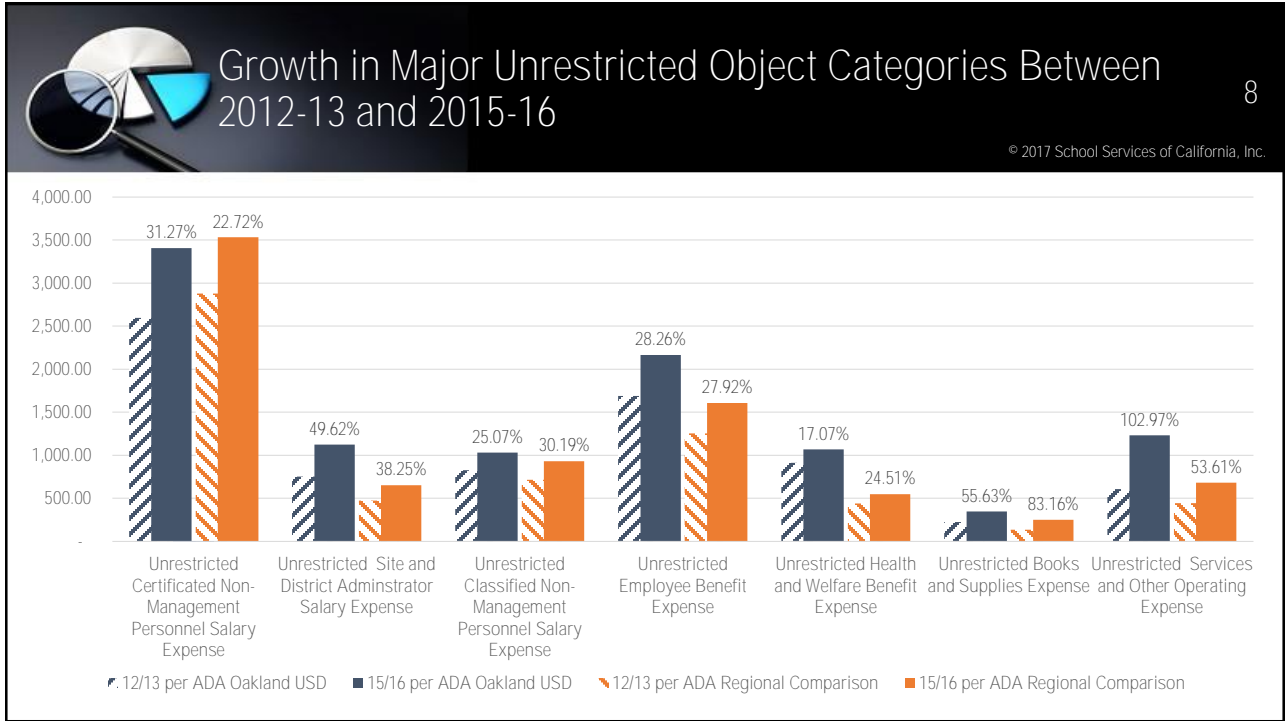


Growth in Major Categories Between 2012-13 and 2015-16

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Category	Oakland USD			Regional Comparison		
	2012/13 per ADA Oakland USD	2015/16 per ADA Oakland USD	% Growth	2012/13 per ADA Regional Comparison	2015/16 per ADA Regional Comparison	% Growth
Certificated Non-Management Personnel Salary Expense	3,820.72	4,629.48	21.17%	3,957.366041	4,648.539638	17.47%
Site and District Adminstrator Salary Expense	1,064.91	1,429.79	34.26%	609.2768625	796.0731459	30.66%
Classified Non-Management Personnel Salary Expense	1,296.27	1,701.40	31.25%	1,257.715791	1,524.840286	21.24%
Total Employee Benefit Expense	2,542.37	3,449.55	35.68%	1,830.315824	2,452.033734	33.97%
Total Health and Welfare Benefit Expense	1,392.26	1,541.79	10.74%	645.1585254	760.1872684	17.83%
Books and Supplies Expense	518.02	590.22	13.94%	359.6748887	486.501345	35.26%
Services and Other Operating Expense	2,251.10	2,501.75	11.13%	1,315.716729	1,523.72107	15.81%

Oakland Unified School District
Board of Education Retreat
Historical Costs and Staffing | October 7, 2017

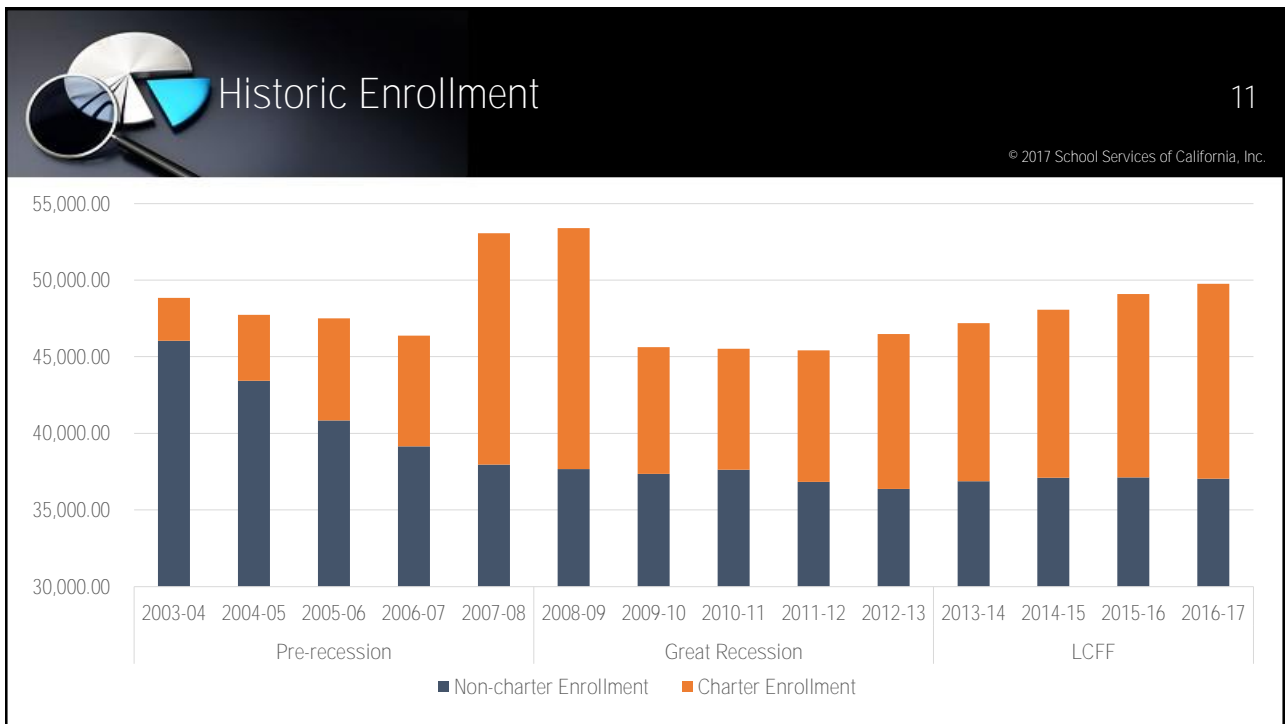
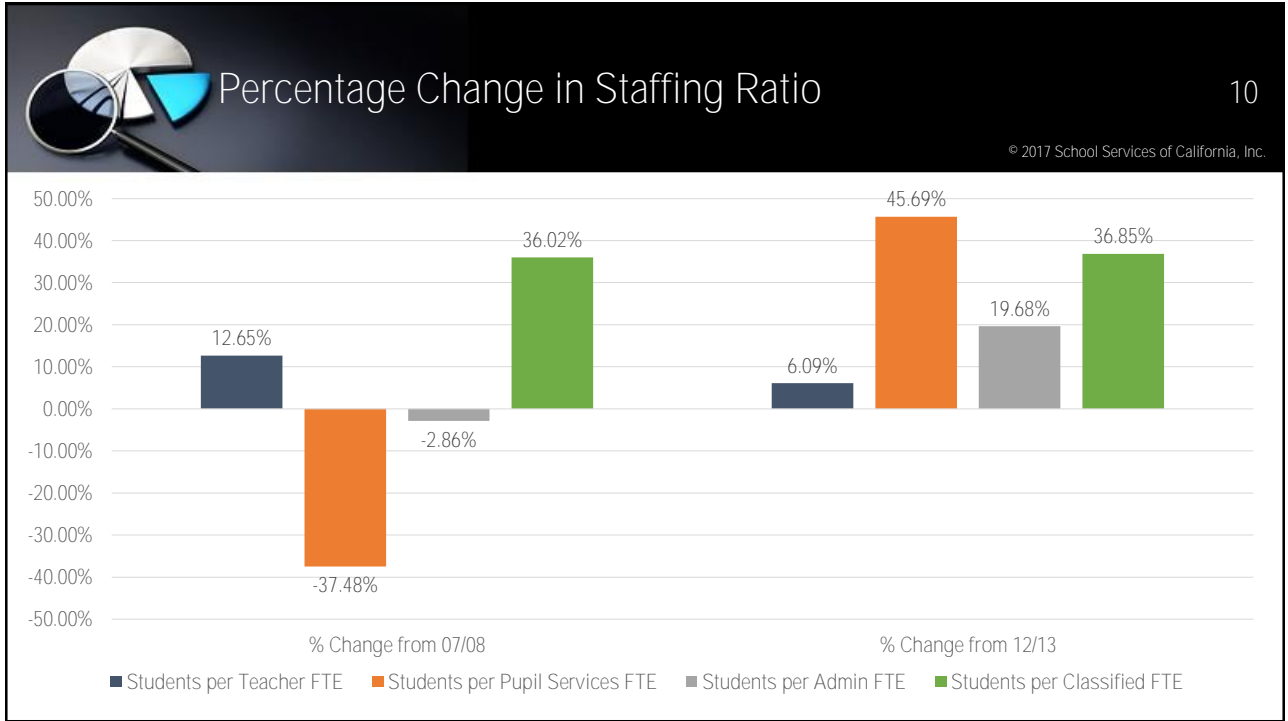


Growth in Major Unrestricted Object Categories Between 2012-13 and 2015-16

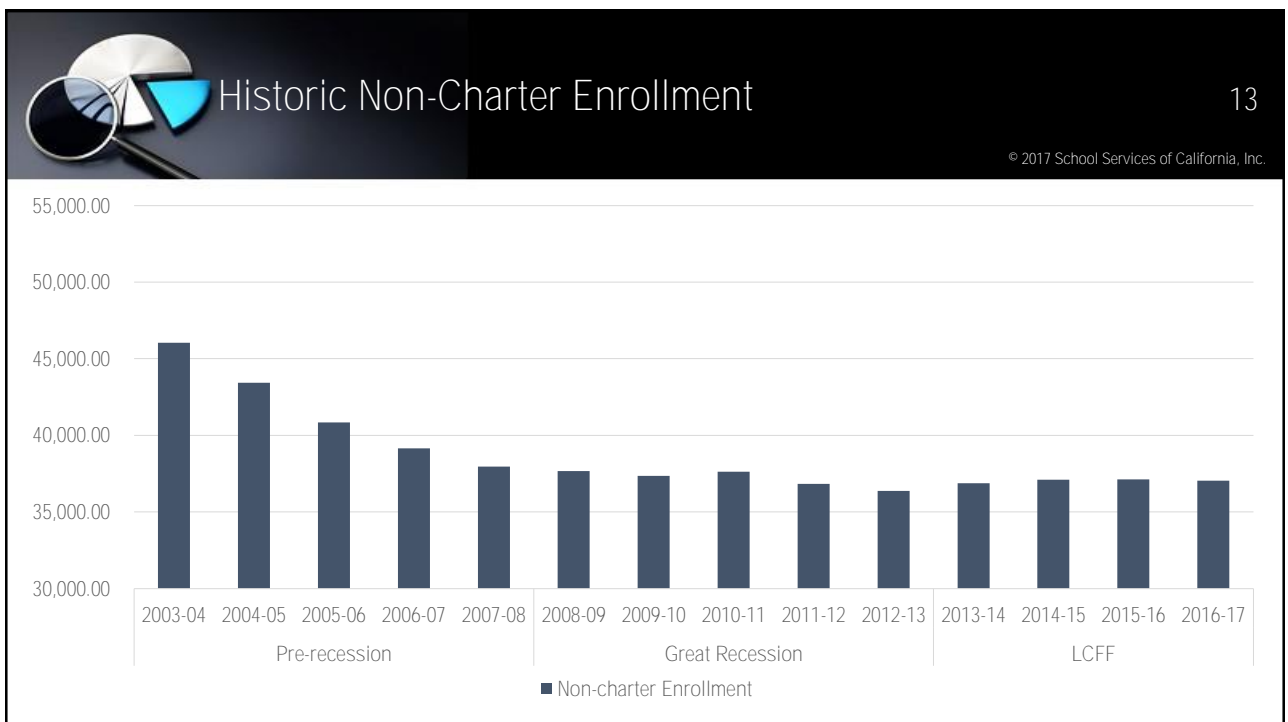
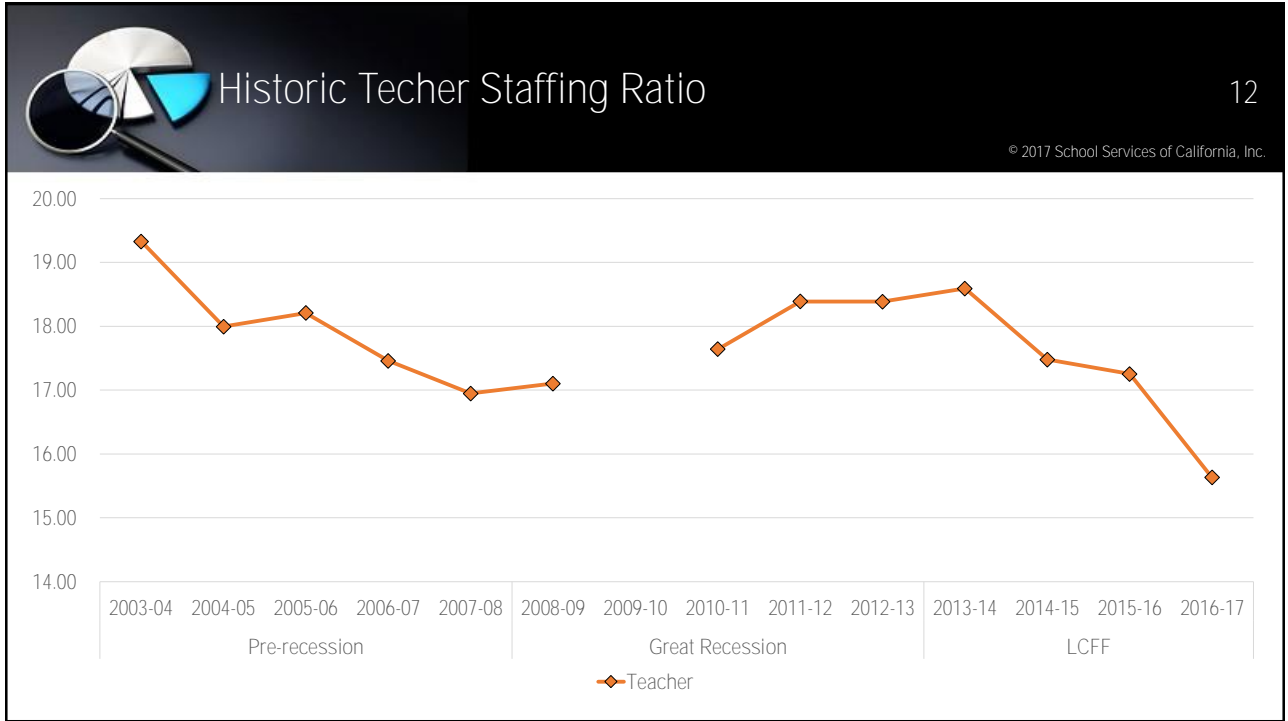
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Unrestricted Category	Oakland USD			Regional Comparison		
	12/13 per ADA	15/16 per ADA	% Growth	12/13 per ADA Regional Comparison	15/16 per ADA Regional Comparison	% Growth
Unrestricted Certificated Non-Management Personnel Salary Expense	2,595.62	3,407.21	31.27%	2,877.659851	3,531.349298	22.72%
Unrestricted Site and District Administrator Salary Expense	751.32	1,124.10	49.62%	472.1177252	652.7121931	38.25%
Unrestricted Classified Non-Management Personnel Salary Expense	825.38	1,032.32	25.07%	715.2074557	931.1063118	30.19%
Unrestricted Employee Benefit Expense	1,688.05	2,165.07	28.26%	1,255.254637	1,605.669991	27.92%
Unrestricted Health and Welfare Benefit Expense	911.25	1,066.82	17.07%	439.9052047	547.7405132	24.51%
Unrestricted Books and Supplies Expense	223.64	348.03	55.63%	136.3642356	249.7712305	83.16%
Unrestricted Services and Other Operating Expense	606.84	1,231.67	102.97%	443.0699361	680.598161	53.61%

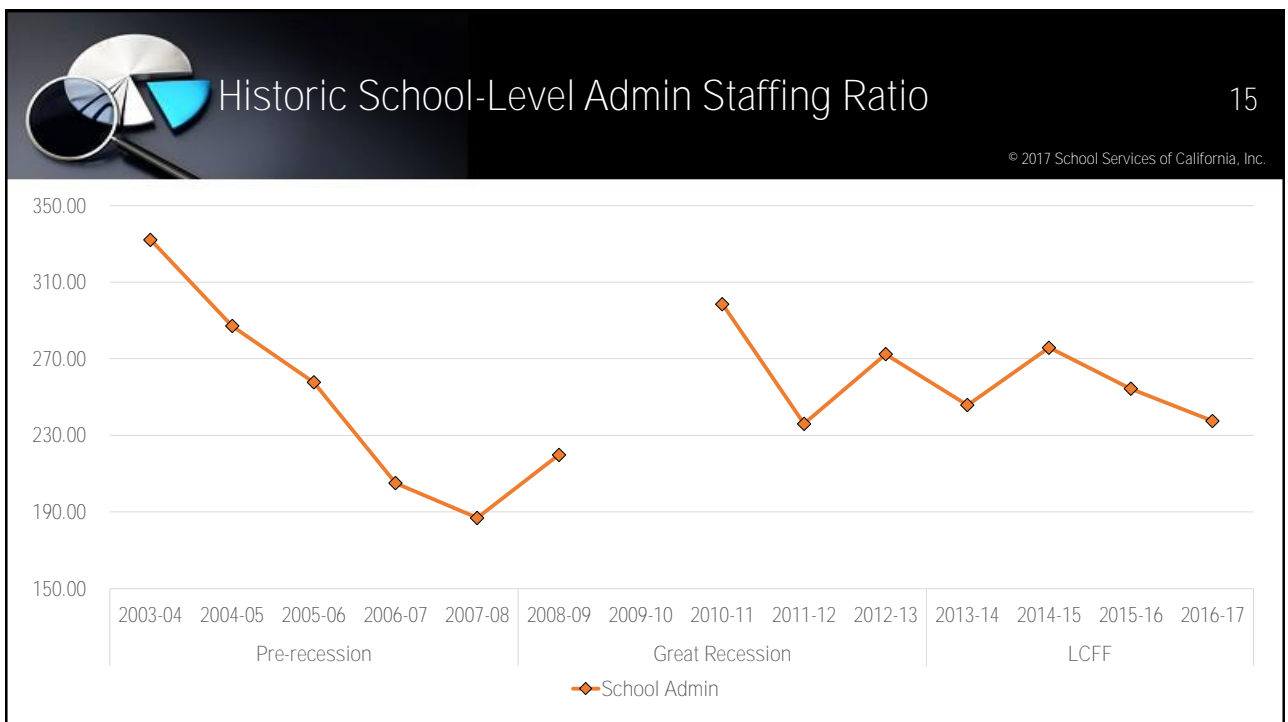
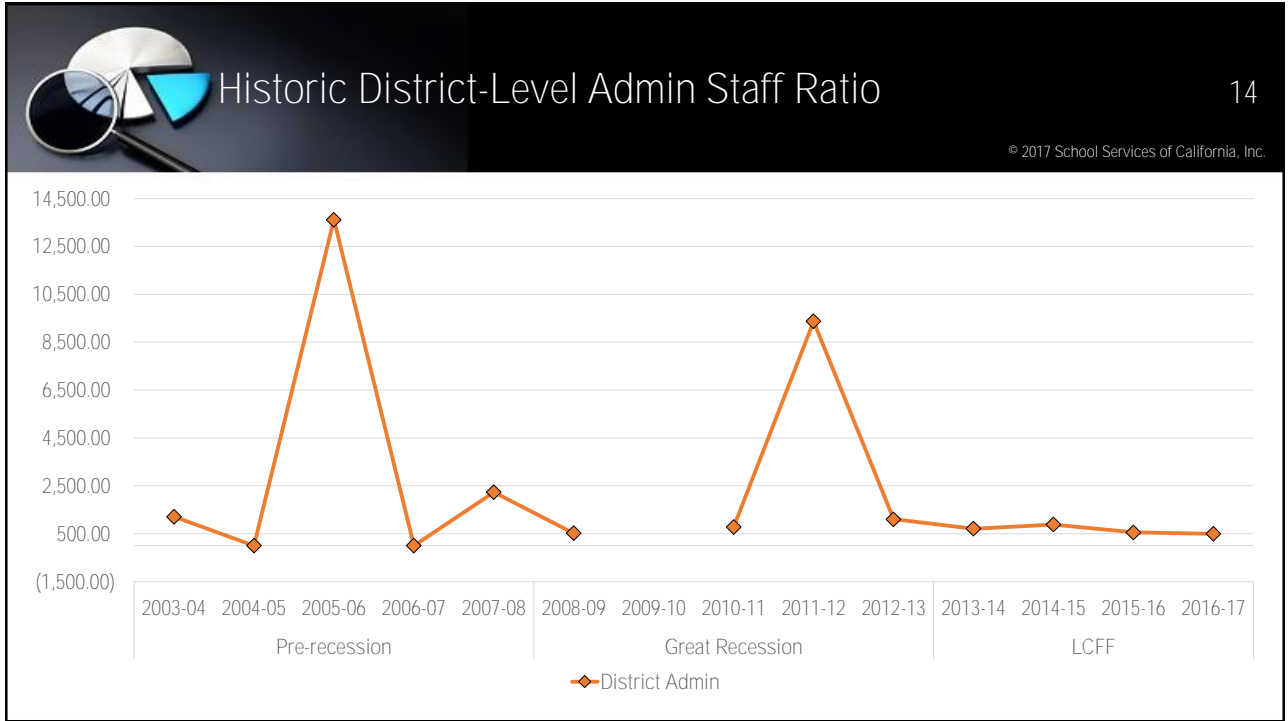
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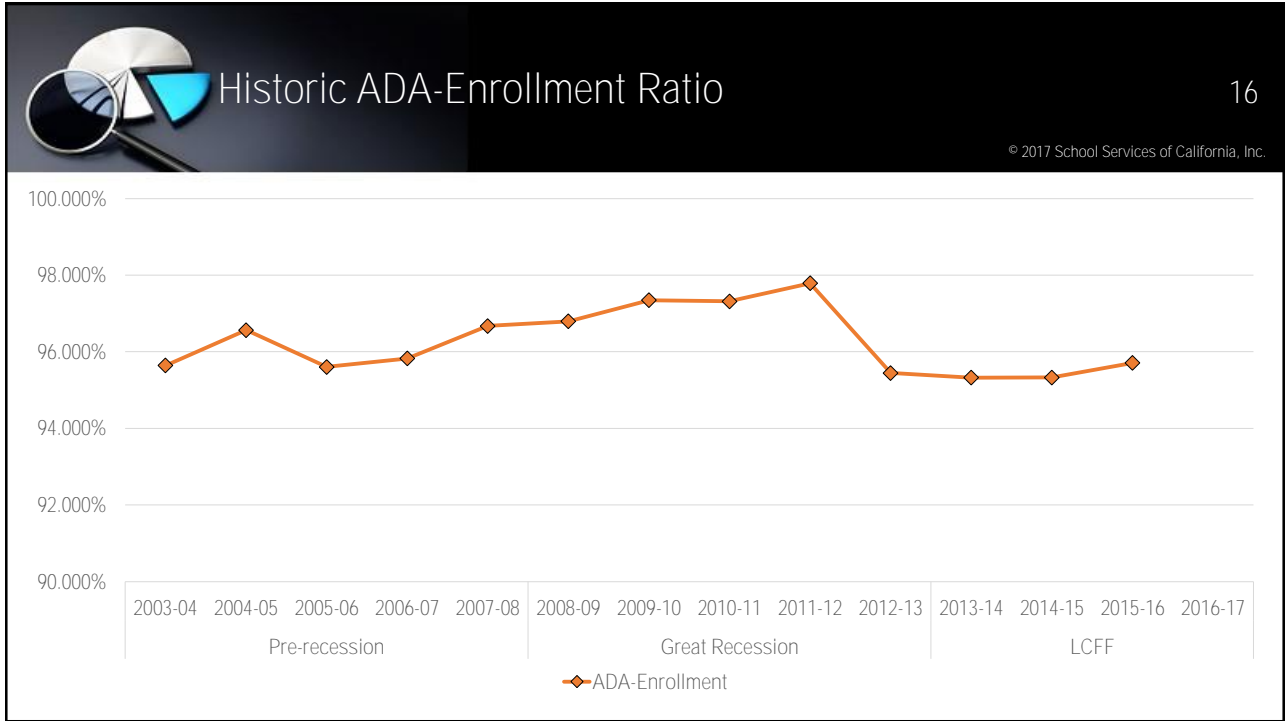
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 Board of Education Retreat
 Historical Costs and Staffing | October 7, 2017



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FCMAT Report



FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

CSIS California School Information Services

Oakland Unified School District

Fiscal Health Risk Analysis

August 15, 2017



Michael H. Fine
Chief Executive Officer







CSIS California School Information Services

August 15, 2017

Kyla Johnson-Trammell, Ed.D., Superintendent
Oakland Unified School District
1000 Broadway, Ste. 680
Oakland, CA 94607-4099

Dear Superintendent Johnson-Trammell:

In April 2017, the Oakland Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered an agreement for a study to perform the following:

Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis, and determine the district's risk rating

This report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve you and extends thanks to all the staff of the Oakland Unified School District for their cooperation and assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

FCMAT

Michael H. Fine, Chief Executive Officer

1300 17th Street - CITY CENTRE, Bakersfield, CA 93301-4533 • Telephone 661-636-4611 • Fax 661-636-4647
755 Baywood Drive, 2nd Floor, Petaluma, CA 94954 • Telephone: 707-775-2850 • Fax: 661-636-4647 • www.fcmat.org
Administrative Agent: Mary C. Barlow - Office of Kern County Superintendent of Schools



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About FCMAT

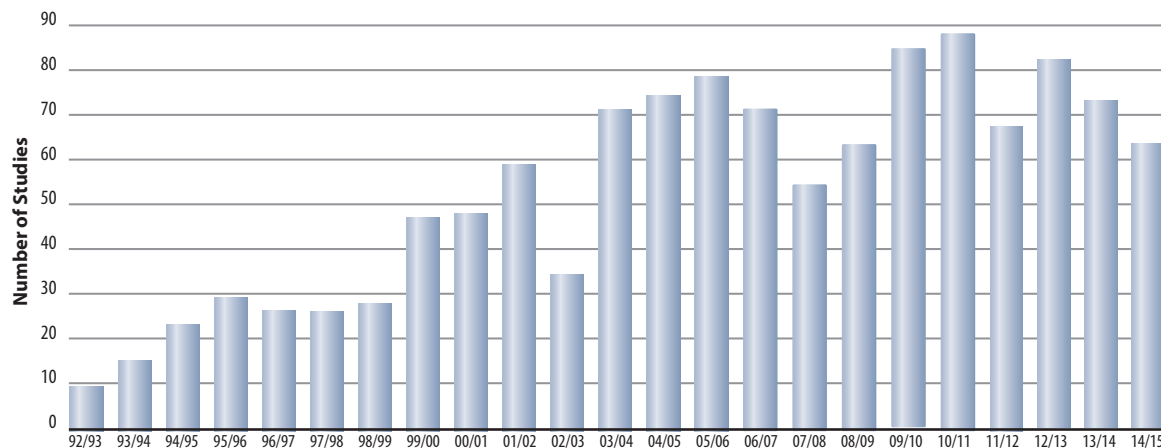
FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.

Studies by Fiscal Year



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its state-wide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Located in the Bay Area of Northern California, the Oakland Unified School District serves more than 49,000 students in 86 district-operated schools and 37 authorized charter schools.

Approximately half of the district's students speak a foreign language at home, and 30 percent qualify as English language learners. Eligibility for free and reduced-price lunches is 72.5 percent.

In May 2017, the district entered into an agreement with the Fiscal Crisis and Management Assistance Team (FCMAT) for a study that would perform the following:

Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis, and determine the district's risk rating.

Study Team

The study team was composed of the following members:

Michelle Giacomini
FCMAT Chief Management Analyst
Petaluma, CA

Leonel Martínez
FCMAT Technical Writer
Bakersfield, CA

Deborah Deal, CICA, CFE
FCMAT Intervention Specialist
Los Angeles, CA

Linda Grundhoffer
FCMAT Consultant
Danville, CA

Study Guidelines

FCMAT visited the district on May 30 through June 1, 2017 to review data, interview employees and collect information. This report is the result of those activities.

In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Fiscal Health Risk Analysis

Key Fiscal Indicators for K-12 Districts

The Fiscal Crisis and Management Assistance Team (FCMAT) has developed the Fiscal Health Risk Analysis to evaluate key fiscal indicators that may help measure a school district's risk of insolvency in the current and two subsequent fiscal years.

The Fiscal Health Risk Analysis should be viewed as a snapshot in time. FCMAT used the district's 2016-17 third interim budget as its baseline in conjunction with financial reports prepared throughout the 2016-17 fiscal year. At the time of FCMAT's fieldwork, the district was completing the 2017-18 adopted budget, but the details were not known or adopted by the board, so the information is not included in this report. In fact, at that time, the district had developed a plan to address the 2017-18 shortfall; however, the governing board had not formalized approximately \$9.3 million in budget adjustments necessary to ensure that the district maintains its required reserve level for 2017-18. FCMAT has added a "Subsequent Events" section at the end of this report that describes the major components of the district's 2017-18 adopted budget revenue increases and expenditures reductions. Even so, that information is not part of this report as it has not been substantiated or reviewed in detail.

Any evaluation of financial data or other organizational issues have inherent limitations because calculations are based on certain economic assumptions and criteria, including changes in enrollment; cost-of-living adjustments; forecasts for utilities, supplies and equipment; changing economic conditions at the state, federal and local levels; and changes in organization or key leadership positions.

The presence of any single criterion is not necessarily an indication of a district in fiscal crisis. However, districts that answer "No" to seven or more of the 20 key indicators may have cause for concern and could require some level of fiscal intervention. The more indicators identified, the greater the risk of insolvency or fiscal issues. Identifying issues early is the key to success when it comes to maintaining fiscal health. Diligent planning will enable a district to better understand its financial objectives and strategies to sustain a high level of fiscal efficiency.

A district must continually update its budget as new information becomes available both from within the district and from other regulatory agencies. This is particularly true as the Local Control Funding Formula nears full implementation. Federal and state factors such as a slowdown in economic factors and increases in employee pension costs erode the district's unrestricted general fund. Local factors including the impact of declining enrollment, emerging charter schools and increases in contributions to special education are difficult to control and manage.

Each of the 20 key indicators below has several questions. FCMAT's response is based on documentation provided by the district and interviews with staff. Detailed responses are summarized for each section in its entirety.

Although this assessment may not indicate that the district may be in fiscal crisis, this analysis is one measure of several dimensions of fiscal health and risk.

1. Deficit Spending

- Is the district avoiding deficit spending in the current year? No
- Is the district avoiding deficit spending in the two subsequent fiscal years? No
- Has the district decreased or eliminated deficit spending over the past two fiscal years? No
- Is deficit spending covered by fund balance, ongoing revenues, or expenditure reductions? Yes
- Has the board approved a plan to eliminate deficit spending? No

Deficit spending occurs when the district spends more in current expenses than current revenue. A structural deficit occurs when the district incurs a net decrease in fund balance following interfund transfers and contributions to restricted programs. Planned deficit spending occurs when the district has excess reserves. Beyond these planned events, the district needs to make budgetary adjustments to eliminate deficit spending to maintain appropriate reserve levels within the fund balance.

When analyzing deficit spending, the team focused on the unrestricted general fund because most restricted programs are self-supporting. If not, the unrestricted general fund makes a contribution to balance the restricted resource, also referred to as encroachment.

The following table shows the district's unrestricted general fund in several of the most recent reporting periods based on the following reports provided by the district.

OUSD - UNRESTRICTED ANALYSIS	Unaudited Actuals 2015-16	Adoption Budget 2016-17	First Interim 2016-17	Second Interim 2016-17	Third Interim 2016-17
BEGINNING BALANCE	\$16,133,721	\$17,559,526	\$12,063,851	\$12,063,851	\$12,063,851
AUDIT ADJUSTMENTS	233,568	-	-	392,864	392,864
REVENUES	395,830,186	404,053,233	403,850,246	405,043,619	405,212,350
EXPENDITURES	333,429,050	337,304,882	336,222,287	332,576,140	335,675,742
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES	\$62,401,136	\$66,748,351	\$67,627,959	\$72,467,480	\$69,536,608
TRANSFERS IN	2,328,377	564,067	735,130	735,130	847,032
TRANSFERS OUT	3,361,244	1,619,490	3,918,860	3,918,860	4,468,860
CONTRIBUTIONS TO RESTRICTED PROGRAMS	(65,671,705)	(65,564,294)	(65,530,184)	(70,462,421)	(69,940,024)
NET INCREASE (DECREASE) IN FUND BALANCE	(4,303,437)	128,634	(1,085,954)	(1,178,672)	(4,025,244)
ENDING BALANCE	\$12,063,851	17,688,160	10,977,897	11,278,044	8,431,471

Based on this information, the district has a structural deficit in each reporting period except the 2016-17 adopted budget. As noted in section four below, the district overestimated enrollment and average daily attendance (ADA) at budget adoption and was not corrected until first interim 2016-17. Additionally, the ending fund balance has decreased substantially over this period of time. This is discussed in depth in section two below.

At the time of fieldwork, the governing board has not approved a plan to eliminate deficit spending or to address the structural deficit for 2017-18 and beyond. Although the district has developed a plan to address the 2017-18 shortfall, the governing board had not formalized the budget adjustments necessary to do so.

Overall Rating:

No

2. Fund Balance

- Is the district's fund balance at or consistently above the recommended reserve for economic uncertainty? No
- Is the fund balance stable or increasing due to ongoing revenues and/or expenditure reductions? No
- Does the fund balance include any designated reserves for unfunded liabilities or one-time costs above the recommended reserve level? No

The district has met its 2% reserve level for all reporting periods in 2016-17 except for the projected third interim, where the district expects 1.5%. The district has not met its local requirement of 3% established by the governing board in any of these reporting periods and is not expected to meet this local requirement in the subsequent two fiscal years.

The table below illustrates the anticipated percentage of reserve levels for the unaudited actuals for 2015-16 and at each reporting period for 2016-17. Of concern is that the reserve levels and percentage are dropping in each period along with the unrestricted fund balance.

Fiscal Year	Reporting Period	Required 2% Reserve	Reported Fund Balance Reserves	Unrestricted Fund Balance
2016-17	Adopted Budget	10,405,253	10,405,253	17,688,160
2015-16	Unaudited Actuals	10,362,831	10,362,831	12,063,852
2016-17	First Interim	10,800,878	10,800,878	10,977,897
2016-17	Second Interim	10,990,122	10,990,122	11,278,244
2016-17	Third Interim	10,941,283	8,281,472	8,431,471

Adopted Budget 2016-17: Unrestricted revenue assumptions increased by \$9.1 million from the district's 2015-16 third interim report. The largest increase was in LCFE funding with \$22.4 million in new revenue due to an increase in gap funding and increase of 345 in ADA. (By the 2016-17 first interim, the district recognizes ADA will be 426 lower than estimated in the adopted budget. This will be discussed more in section four below as the district failed to identify an error in the enrollment projections.) Unrestricted expenditures increased by \$8.7 million from the 2015-16 third interim report. Overall, the unrestricted fund balance increased by \$418,000 over third interim.

Total contributions and transfers out to restricted programs is \$67,183,784, and special education represents the largest share, totaling \$51.9 million and reducing the fund balance. Overall encroachment represents 19.4% of unrestricted expenditures and \$16.2% of unrestricted revenues.

Of the \$7.1 million in other commitments, the district expects to spend \$5.9 million on audit findings and adjustments equivalent to 1.2% of the required reserve level.

Unaudited Actuals 2015-16: Although the district meets its required 2% reserve, board policy requires 3%. The amount of reserves dedicated to the increased reserve level has decreased by \$4.3 million from the prior year. District staff indicated that contributions to special education, early childhood and food service programs have eroded reserves.

Special education encroachment grew by \$1.6 million over third interim 2015-16 and \$6.2 million over 2014-15 unaudited actuals and now totals \$51.5 million encroachment from unrestricted funds.

- The early childhood program was supported with \$1.3 million of unrestricted and \$2 million of Title I funds yet overspent by \$1.2 million as the district hired staff for the new United Nations program while the numbers of anticipated students did not materialize.
- Food service programs required contributions of \$2 million approximately \$1.1 million more than budgeted even though the district has experienced a decline in enrollment and number of meals served. Because sites can arrange their own bell schedules, the food service department cannot coordinate delivery and staffing levels to maximize efficiencies. Until the district coordinates standardized bell schedules, food services will continue to need contributions to support the program.

The chief financial officer indicated that the unrestricted structural deficit of \$1.5 million after adjustments for one-time revenues and expenses must be addressed in the 2017-18 budget.

First Interim 2016-17: The district recognizes that ADA is 426 lower than estimated in the adopted budget and decreased unrestricted revenues accordingly. The county office of education stated that while the revenues were adjusted, the district does not appear to have reduced expenditures.

Based on the first interim report, the district is experiencing a structural deficit of \$1.1 million for the unrestricted general fund although adjusting for one-time expenditures, the net structural deficit is approximately \$481,000.

Total contributions to restricted programs is \$65,564,294.

A more thorough discussion of encroachment is in section nine below.

At first interim, the district is barely able to meet its 2% required reserve level with \$27,000 in excess reserves. Overall, the unrestricted fund balance drops by \$6.7 million. Of this amount, \$5.5 million was recorded and recognized in the unaudited actuals to settle prior year audit findings and adjustments as previously noted.

Based on concerns from the county office regarding declining enrollment, an adverse impact on enrollment projections, an increase in special education encroachment and deficit spending, the district's positive certification was changed to a qualified certification.

Second Interim 2016-17: Unrestricted revenues increased by \$1.2 million and expenditures decreased by \$3.6 million. Of significant concern is that special education contributions increased by \$4.9 million from first to second interim.

The district implemented a general fund spending protocol on January 9, 2017 to limit site and department spending districtwide in response to the erosion of the fund balance. According to those interviewed, sites and departments rushed to spend budgets before the actual implementation. Normal savings from staff turnover and unspent budgets based on district trends did not materialize. In fact, purchase-order activity increased by 249%, or \$1,299,228, more purchase orders processed in January 2017 than January 2016.

At second interim, the district is barely able to meet its 2% required reserve level and has \$137,000 excess reserves. Overall the unrestricted fund balance increased by \$300,000.

The district filed a qualified certification at second interim.

Third Interim: By third interim, the district is \$2.8 million short of its required 2% reserve level. The unrestricted fund balance dropped from \$17.7 million at budget adoption to \$8.4 million by the end of the year.

The table below summarizes the district's financial activity from unaudited actuals 2015-16 through third interim 2016-17.

OUSD - UNRESTRICTED ANALYSIS	Unaudited Actuals 2015-16	Adoption Budget 2016-17	First Interim 2016-17	Second Interim 2016-17	Third Interim 2016-17
BEGINNING BALANCE	\$16,133,721	\$17,559,526	\$12,063,851	\$12,063,851	\$12,063,851
AUDIT ADJUSTMENTS	233,568	-	-	392,864	392,864
REVENUES	395,830,186	404,053,233	403,850,246	405,043,619	405,212,350
EXPENDITURES	333,429,050	337,304,882	336,222,287	332,576,140	335,675,742
TRANSFERS IN	2,328,377	564,067	735,130	735,130	847,032
TRANSFERS OUT	3,361,244	1,619,490	3,918,860	3,918,860	4,468,860
CONTRIBUTIONS TO RESTRICTED PROGRAMS	(65,671,705)	(65,564,294)	(65,530,184)	(70,462,421)	(69,940,024)
ENDING BALANCE	\$12,063,851	\$17,688,160	\$10,977,897	\$11,278,044	\$8,431,471
REVOLVING CASH	150,000	150,000	150,000	150,000	150,000
2% RESERVE	10,362,831	10,405,253	10,800,878	10,990,122	11,120,037
AUDIT FINDINGS	-	5,922,314	-	-	-
EARLY RETIREMENT INCENTIVE	604,742	604,742	-	-	-
OTHER COMMITMENTS	46,279	605,852	-	-	-
UNAPPROPRIATED	\$0	\$(0)	\$27,019	\$137,922	\$(2,838,566)

Overall Rating:

No

3. Reserve for Economic Uncertainty

- Is the district able to maintain its reserve for economic uncertainty in the current and two subsequent years based on current revenue and expenditure trends? No
- Does the district have additional reserves in fund 17, special reserve for other than capital projects? No
- If not, does the district's multiyear financial projection include a plan to restore the reserve for economic uncertainty? No

The district has maintained the legally required 2% reserve for economic uncertainty for all reporting periods except third interim 2016-17. However, the governing board has established a higher reserve level of 3% that has not been met in the current or subsequent two fiscal years as demonstrated in the table above.

The district does not have other funds available to provide unrestricted funds to support the general fund.

The district has developed a plan to address the 2017-18 shortfall; however, the governing board has not formalized approximately \$9.3 million in budget adjustments necessary to ensure that the district maintains its required reserve level for 2017-18.

In addition, the district will need to address the shortfalls caused by the structural deficit in the 2018-19 and 2019-20 budgets. The amount of actual adjustments will depend on decisions the governing board has yet to approve. (This will be further discussed in a section 13 below).

Overall Rating: No

4. Enrollment and Attendance

- Has the district's enrollment been increasing or stable for multiple years? No
- Is the district's enrollment projection updated at least semiannually? Yes
- Are staffing adjustments for certificated and classified employee groups consistent with the enrollment trends? No
- Does the district analyze enrollment and average daily attendance (ADA) data? Yes
- Does the district track historical data to establish future trends between P-1 and P-2 for projection purposes? Yes
- Has the district implemented any attendance programs to increase ADA? Yes
- Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly? Yes
- Have approved charter schools had little or no impact on the district's student enrollment? No
- Does the district have a board policy that attempts to reduce the effect that transfers out of the district have on the district's enrollment? No
- Did the district certify its CALPADS Fall 1 submission by the required deadline? Yes

The district's enrollment continues to decline. According to certified DataQuest enrollment information, the district has lost 55 students from 2013-14 to 2016-17 while charters have increased 2,621 as shown in the table below. The first interim report analysis prepared by the county office, states that the district was "short of expectations" on enrollment, which may not be updated in the district's budget.

Fiscal Year	2013-14	2014-15	2015-16	2016-17
District Enrollment	36,869	37,096	37,124	36,814
Charter Enrollment	10,325	10,981	11,974	12,946
Totals	47,194	48,077	49,098	49,760

The district maintains projections on Excel spreadsheets that have not been monitored closely for wide variances and cell formula irregularities that have skewed the projections and caused errors, causing management to overstaff as discussed below.

In previous years, the district released staff and/or made other adjustments after the 20th day of school if enrollment was lower than expected. However, in the 2016-17 year, this did not occur even though the Business Department became aware of a large error in the Excel enrollment projections worksheet. This lack of recognition led to gross overstaffing and understatement of revenue. As a result, the district could not meet reserve levels for each reporting period in the 2016-17 fiscal year, and fund balance declined significantly.

The district tracks and analyzes enrollment and ADA data between P1 and P2. This information is used to establish future trends for projection purposes. As previously mentioned, the Excel spreadsheet error once realized did not cause management to reduce staffing accordingly.

Information about enrollment and attendance is maintained at the site level and reconciled monthly. The district has implemented attendance incentive programs to increase ADA and provide students maximize learning opportunities. It also hosts regular site trainings on Aeries, the student enrollment/attendance software, and prepares handbooks for sites/departments. The district has developed a handbook for school sites on strategies to improve and increase student attendance.

Charter enrollment has a significant effect on the district's enrollment and has increased by 1,965 during the last three fiscal years. The district denied several charter school petitions that were subsequently approved by the county office where charter students reside within district boundaries. This has had an impact on district enrollment.

The district has a board policy that attempts to reduce the effect of student transfers from the district, yet the district continues to experience declining enrollment.

The district certified its CALPADS Fall 1 submission timely.

Enrollment projections should be based on historical trends, new housing starts, knowledge of pertinent local factors such as changes in industry, emerging charter schools, birthrates and more. The best practice is to project conservatively and adjust staffing as necessary once enrollment materializes beyond projections. District administration should balance the need to maintain predetermined class sizes with appropriate staffing levels to avoid overspending.

Overall Rating:

Mixed

5. Debt

- Does the district have a recent actuarial study and a plan to set funds aside for unfunded liabilities? Yes
- Does the district maintain low levels of non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others)? Yes
- Is the district conforming to GASB 68 requirements by recognizing and reporting its proportionate share of net liability for pension programs? Yes

The following table from the district's Audit Report as of June 30, 2016 shows \$1,402,317,412 in total debt:

Debt Type	June 30, 2016 Balance
General Obligation Bonds (Multiple Issuances)	\$932,545,000
General Obligation Bond Premiums	42,198,166
Emergency Apportionment Loan	44,433,868
Compensated Absences, net of claims liability	11,533,784
Claims Liability	42,046,657
Aggregate net pension liability-STRS & PERS	329,559,937
Total Long-Term Debt Obligations	\$1,402,317,412

Payments for general obligation bonds are made from the bond interest and redemption fund generated from collections of local property tax revenues. Payments for the emergency apportionment loan are the obligation of the unrestricted general fund. The fund that pays the employee compensation would pay the accrued vacation and net pension liabilities. The self-insurance fund pays claims liability.

Senate Bill 39, Chapter 14, Statutes of 2003, was enacted on January 3, 2003 to provide an emergency apportionment loan of \$100 million to the district. The district budgets annual payments of \$5,985,437 from its general fund and expects full repayment in 2026.

The district complies with GASB 68 recognition of net liability for pension programs as demonstrated in the 2015-16 Annual Financial Independent Audit which reflected the following for the district's proportionate share of the net liability for pension programs in 2016:

CalSTRS:	\$233,433,103
CalPERS:	96,126,834
<u>Total Net Pension Liability</u>	<u>\$329,559,937</u>

Overall Rating:

Yes

6. Cash Monitoring

- Can the district manage its cash in all funds without interfund borrowing? No
- If interfund borrowing is occurring, does the district repay the funds within the statutory period in accordance with Education Code Section 42603? Yes
- Does the district forecast its cash receipts and disbursements and verify them at least monthly to ensure that cash flow needs are known with plenty of notice? Yes
- Does the district have a plan to address short-term cash flow needs? No
- Are cash balances reconciled to bank statements monthly? Yes

The district reconciles cash monthly and regularly projects cash flow needs. Interfund repayments are completed within the statutory guidelines.

As previously mentioned on January 3, 2003, Senate Bill 39, Chapter 14, Statutes of 2003 was enacted which provided the district with an emergency loan of \$100 million to offset the cost of audit findings, technology enhancements and the associated loan payment of the draw-down.

In addition to these loan proceeds, the state budget has included significant levels of funding in the last four fiscal years. For the last two fiscal years, the state has eliminated apportionment deferrals. It is concerning that the district is experiencing cash flow shortages requiring temporary borrowing.

District records from 2010-11 to 2016-17 shows that it has borrowed cash from the county treasurer to meet cash flow needs for general fund operations. On August 24, 2016, the governing board approved a resolution for temporary borrowing not to exceed \$30 million in accordance with Education Code Section 42620 and California Constitution Article XVI, Section 6. FCMAT identified this cash loan totaling \$26 million occurring in November 2016 and repayment scheduled in May 2017.

Projections show that the district experiences cash flow needs until property tax receipts are received in December and April. This is an indication that cash reserves are limited and those responsible for cash management are unable to forecast cash needs due to many circumstances beyond their control especially when budgets are routinely overspent and district administration authorizes positions not reflected in the board approved budget. FCMAT cites several conditions that have an impact on both the budget and ultimately available cash reserves including but not limited to the following:

- Constant turnover in the positions of superintendent and chief financial officer (CFO).
- Staff turnover in key business and administrative levels.
- Overstaffing at school sites.
- Abundance of small schools and failure of the governing board to address this issue.
- Complete site autonomy and lack of district structure and/or guidelines for consistency between school sites.
- Separation of the budget and finance departments.
- An abundance of budget exceptions granted to sites and departments that overspend.

Overall Rating:

Mixed

7. Bargaining Agreements

- Has the district settled the total cost of the bargaining agreements at or under COLA during the current and past three years? No
- Did the district conduct a presettlement analysis, including multiyear projections, identifying ongoing revenue sources or expenditure reductions to support the agreement, as well as the long-term effects on the district? Yes
- Did the district correctly identify the related costs above the COLA, (e.g. statutory benefits, step and column)? Yes
- Did the district address budget reductions necessary to sustain the total compensation increase, including a board-adopted plan? No
- Did the superintendent and CBO certify the agreement prior to ratification? Yes
- Is the governing board's action consistent with the superintendent's/CBO's certification? Yes
- Did the district meet the public disclosure requirements, including disclosure of the costs associated with a tentative collective bargaining agreement, before it became binding on the district? Yes

The table below shows statutory cost of living from 2012-13 through 2017-18, and another reflects a summary for each bargaining unit of on-going salary increases.

The district has bargained more than a cost-of-living increases in each of the last three years. For example, the Oakland Education Association received 5.596% for fiscal year 2014-15, 5.53% for 2015-16 and 3.40% for 2016-17, totaling 14.526% while cost-of-living increases total 1.87% during this same period of time. Bargaining beyond statutory cost-of-living increase must be supported by the available fund balance.

According to the district, the three-year contract for teachers ended on June 30, 2017. Compensation for all bargaining units is based on a revenue sharing model where 65% of local control funding model (LCFF) dollars is identified for compensation. Total LCFF is comprised of base funding, grade level adjustments, supplemental and concentration grant funding. The district must identify a nexus to supplemental and concentration grant funding to include these amounts in total compensation. FCMAT was not provided with documentation to support how the district created this nexus for negotiation purposes.

FCMAT was provided documentation to support ongoing negotiations with bargaining units and sunshining of initial proposals.

In accordance with AB 1200, the district has prepared the Public Disclosure of Collective Bargaining Agreements for ratification by the governing board that demonstrate the multiyear impacts of cost-of-living increases, increases in pension benefits, the number of full-time equivalent positions and narrative explanations signed by the superintendent and chief business official.

It is imperative that the governing board review the concerns identified in this report regarding deficit spending, fund balance, encroachment, position control and multiyear financial projections before the ratification of new contract proposals to ensure an adequate fund balance and restoration of the reserve levels.

Fiscal Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Statutory COLA	3.24%	1.57%	0.85%	1.02%	0.0%	1.56%

Employee Group	Bargaining Unit	Current FTE Count	Contract Expiration Date	Ongoing Wage Increases FY 2013-14 through FY 2015-16
Certificated	Oakland Education Association	2619	June 30, 2017	5.596% As of 6/30/2014
				2.74% Effective 7/01/2015
				2.79% Effective 1/01/2016
Classified	Service Employees Int'l Union	893	June 30, 2018	3.07% Effective 7/1/2016
				0.33% Effective 1/1/2017
				5.596% As of 6/30/2015
Classified	American Federation of State, County and Municipal Employees	620	June 30, 2017	3.09% Effective 5/01/2016
				3.40% Effective 3/1/2017
				6.846% As of 6/30/2015
Classified	California School Employees Association	10	June 30, 2016	2.74% Effective 7/01/2015
				1.25% Effective 1/01/2016
				3.07% Effective 7/1/2016
Classified	Building and Construction Trades Council	85	June 30, 2017	0.33% Effective 1/1/2017
				9.75% Effective 2/01/2016**
				3.07% Effective 1/1/2017
Classified	Teamsters	13	June 30, 2018	8.7% Effective 1/01/2016**
				5.596% As of 6/30/2015
				2.74% Effective 7/01/2015
Supervisory	United Administrators of Schools	408	June 30, 2017	0.29% Effective 1/01/2016
				3.07% Effective 7/1/2016
				0.33% Effective 1/1/2017

** These employee groups received no wage increases during fiscal years 2013-14 and 2014-15.

Overall Rating:

No

8. General Fund

- Is the percentage of the district's general fund unrestricted budget allocated to salaries and benefits at or under the statewide average? Yes
- Does the district ensure that only ongoing restricted dollars pay for permanent staff? No
- Does the budget include reductions in expenditures proportionate to one-time revenue that will terminate in the current or two subsequent fiscal years? No
- Does the district ensure that the parcel tax does not pay for ongoing expenditures? No
- Does the district ensure that litigation and/or settlements are minimized? Yes

The district's general fund unrestricted budget allocated to salaries and benefits is at or under the statewide average.

It is important to identify and track one-time revenues with one-time expenses. Ideally, temporary funding, including one-time funds, should be spent on one-time expenditures. If staffing is provided, employees should be notified of their temporary employment period.

The district has three approved parcel taxes: Measure G is ongoing; however, Measure N expires in 2024 and Measure G1 expires in 2028. Staffing associated with temporary parcel taxes should be tracked and staff notified of layoff dates when taxes expire. Management and the governing board should have sufficient time to react and adjust for substantial layoffs when the parcel taxes expire.

These parcel taxes pay for ongoing salary and benefits as well as other expenses approved in each Measure. Because of increased salaries and benefits, current parcel tax levels may not be sufficient to pay for any other expenditures beyond salaries and associated benefits following the 2018-19 fiscal year. Expenses for books, supplies, and other operating expenses cannot be sustained unless there is a reduction in staff.

The district spent approximately \$33 million from restricted local donations, including parcel taxes, most of which were one-time revenues. Most of these expenditures were used to pay for salaries and benefits. Personnel funded from one-time restricted funds should be laid off each year pending receipt of new funds. The best practice is to budget the receipt of donated funds upon actual receipt of the funds to avoid overappropriation of budgets until funding has materialized.

FCMAT did not see material changes in litigation and/or settlement costs.

Overall Rating:

Mixed

9. Encroachment

- Is the district aware of the contributions to restricted programs in the current year? (Identify cost, programs and funds) Yes
- Does the district have a reasonable plan to address increased encroachment trends? No
- Does the district manage encroachment in all funds including the cafeteria fund? No

Encroachment represents the amount of contributions to restricted programs that are not self-supporting. Traditionally, special education, transportation and restricted routine maintenance are programs that fall short of federal and state funding to be self-supporting.

The majority of encroachment is from special education programs and the restricted routine maintenance account (RRMA.) A full explanation of RRMA funding requirements is provided in section 19 below. Essentially, legislation has provided a phase-in to full funding of the RRMA program by 2020-21.

Encroachment from special education programs represents 20.8% of the unrestricted expenditures and continues to grow more than any single sector of the district's budget.

Records indicate that in 2013-14, the total general fund encroachment was \$48,240,894, of which \$41,200,568 was to support special education programs. At third interim in 2016-17, the total general fund encroachment is estimated to be

\$69,940,024, of which \$56,292,846 is special education programs. The table below shows year-over-year increases to support special education programs.

Fiscal Year	Special Education Contribution
2013-14	\$41,200,568
2014-15	\$45,349,775
2015-16	\$51,534,414
2016-17	\$56,292,846

FCMAT compared student ADA and expenditure data from 2015-16 with statewide average for unified school districts. The following shows the comparison between statewide averages for district contributions and expenditures per ADA for Oakland USD.

The following has expenditures only for special education based on the maintenance-of-effort report:

Special Education Cost Per Student

Fiscal Year 2015-16

	District Data	District Amount Per ADA	Statewide Average Per ADA	Difference
Total District ADA	35,484.27			
District Encroachment	\$51,534,414	\$1,452	\$1,226	\$226
Special Education Expenditures	\$83,406,326	\$2,351	\$2,041	\$310

Based on this information, the district exceeds the statewide average for both amounts per ADA for expenditures and contributions. The district should consider an in-depth review of the special education program for cost containment opportunities that still maintain high-quality programs to reduce the escalation of costs.

The cafeteria and child development funds also require contributions. Although district administrators have identified ways to reduce encroachment in both programs, implementation will require that the governing board adhere to standardized bells schedules or allow senior administrators to institutionalize schedule changes that have minimal impact on educational programs.

School site principals have discretion to create and adjust bell schedules that affect the timing of these auxiliary programs to operate at optimum levels of efficiency. Until the governing board takes action to standardize bell schedules, these programs will require unrestricted general fund contributions.

Encroachment from the early child development fund was \$452,212 in 2013-14, but is projected to be \$1,943,860 at third interim in 2016-17. The cafeteria fund caused no encroachment in 2013-14, but encroachment is projected to be \$2,525,000 at third interim for 2016-17.

Overall Rating:

No

10. Management Information Systems

- Is the district's financial data accurate and timely? Yes
- Are the mandated county and state reports filed in a timely manner? Yes
- Are key fiscal reports — including those on personnel, payroll and budget - accessible, timely, and understandable? Yes
- Is the district on the same financial system as the county? No
- If the district is on a separate financial system, is there an automated interface with the financial system maintained by the county? No
- Is the district able to accurately identify students who are eligible for free and reduced-price meals, English learners, and foster youth, in accordance with Local Control Funding Formula (LCFF) and Local Control Accountability Plan (LCAP) requirements? No
- Is the district able to collect, assess, and report student data in the California Longitudinal Pupil Achievement Data System (CALPADS)? Yes

District financial data is accurately reflected in the financial system based on information compiled by district staff for the FCMAT review. Mandated county and state reports are filed timely. The district can generate fiscal reports and budget development modeling through a web-based program that extracts information contained in the integrated financial accounting system that housed position control information. While the system is not ideal, it produces reliable information for end users.

The entire financial system is composed of several operating systems with programmed interfaces for overall integration of information. The county office uses the Escape financial and human resource system. With technical and financial assistance from Alameda County Office of Education, the district will transition to Escape Technologies, a fully integrated system, on July 1, 2018.

The district's technology plan for July 1, 2014 through June 20, 2018 identifies extensive goals for curriculum, professional development and infrastructure, hardware, technical support and software. Also included is a replacement policy for obsolete equipment, monitoring and evaluation of technology on teaching and learning. The district uses effective research-based methods and strategies to implement a support system for students, teachers and the community that provides access and resources for the best learning environment.

The district has identified the following priorities:

- Student learning
- Productivity
- Data and assessment
- Safety, ethics, and security
- Support teachers and staff
- Infrastructure
- Equity and access

- District technology staff has identified an extensive listing for each school and district office site for network infrastructure and equipment replacements for possible E-Rate funding. A summary of E-Rate requests for funding and commitments from 1998 through 2016 show that the district has received more than \$65.8 million, or 38% of total requested amount, in E-Rate assistance.

The district provided documentation of California Longitudinal Pupil Achievement Data System (CALPADS) reports that identify students who are eligible for free and reduced-price meals, English learners, and foster youth in accordance with LCFE and Local Control Accountability Plan (LCAP) requirements. These reports are processed through CALPADS and meet all the state reporting requirements.

Audit finding 2016-008 – Unduplicated Local Control Funding Formula Pupil Counts – is a repeat from the previous audit year. The unduplicated pupil count was reduced by 15 students designated as English learners that required the district update the CALPADS data entry screen to make the correcting adjustment. According to the district’s official response, it continues to make considerable improvements to the student intake process when students transfer in from other districts. Additional training has been provided to staff responsible for CALPADS submissions and a team of enrollment and attendance personnel is monitoring to ensure accurate reporting.

Overall Rating:

Yes

11. Position Control and Human Resources

- Does the district maintain and use an effective and reliable position control system that tracks personnel allocations and expenditures? No
- Is position control integrated with payroll and the financial system? No
- Does the district control unauthorized hiring? No
- Is the district able to control overstaffing? No
- Are the appropriate levels of internal controls (i.e., checks and balances) in place between the business and personnel departments to prevent fraudulent activity? No
- Is position control reconciled against the budget during the fiscal year? No
- Does the district offer or ensure that staff attend professional development regarding financial management and budget? Yes

A reliable position control is a planning tool that incorporates defined standards for tracking, adding, creating and deleting positions within the organization. A properly functioning position control system has internal control checks and balances between personnel decision-making and budget appropriations that align staffing with budget and payroll systems.

Beginning in April of each fiscal year, the district initiates the Fiscal Year Position Control Set-up, Employee Roll & Syncing process. This multi-step process uses a web-based budget development tool in conjunction with the Integrated Financial Account System (IFAS) that has unique position control numbers to generate site budgets for labor and non-labor expenditures.

Although the district uses a position control system, the district's budgeting tool allows sites to budget for staffing using "average" salaries, which may not cover the actual cost of staffing. When site budgets are built on average salaries and actual placement costs are higher, the district backfills the deficiency from unrestricted reserves.

Position control does not integrate with the payroll system. Instead, the district uses the budget development tool to track total full time equivalent positions then overlays position control which can create duplicates. IFAS unique position control number for each employee are uploaded to the budget development tool allowing sites to model their allocations. Once sites complete the process, site budgets are uploaded into IFAS. The budget development tool should be reconciled with IFAS position control to prevent duplicate positions in the budget prior to uploading back into the IFAS system. Ideally, each board-authorized position should have a unique position control number instead of each employee. The district is encouraged to review the overlay process and unique numbering system.

The human resources office utilizes a separate standalone system, Applicant Tracking, that is not integrated with the IFAS; however, the district will transition to a new system July 2018, Escape Technologies, at which time human resources will abandon the existing system.

The district uses a fillable position requisition form for sites and departments requesting position elimination, creation and/or funding changes. The form has complete instructions for workflow approvals.

Following the resignation of the chief financial officer, the Payroll Department was placed under the control of human resources. FCMAT made inquiries about the integrity of internal controls between business and human resources and was told that the independent auditor has approved and that no violations of internal controls exist. The Payroll Department has been moved back under the supervision of the chief financial officer since the time of FCMAT's fieldwork.

Human resources stated that the budget is reconciled with position control, human resources and payroll records and that human resources ensures new positions are funded in IFAS; however, numerous staff reported that the former superintendent rushed new unfunded positions through the process without regard to budget appropriation.

FCMAT reviewed board minutes and notes several positions authorized on June 29, 2016 and subsequently board-approved without budget appropriation. FCMAT requested and received information to substantiate that these positions approved on that date were not in the budget adoption. The district should ensure that new positions are board-approved and budget appropriation is available to support these positions prior to employee start dates and contract approvals.

Overall Rating:

No

12. Budget Development and Adoption

- Is a budget calendar used that contains statutory due dates and the major budget development milestones? Yes
- Are clear processes and policies in place to analyze resources and allocations to ensure they align with strategic planning objectives and that the budget reflects the LEA's priorities and LCAP? Yes
- Is the LCFF correctly calculated and understood? Yes
- Are projections for ADA, enrollment, revenue and unduplicated pupil count accurate and reasonable? Yes
- Is the district decreasing deficit spending and maintaining adequate reserves and fund balance when compared with the prior year? No
- Has the district ensured that the LCAP is incorporated in the budget? Yes
- Is the budget developed using a zero-based method rather than being a rollover budget? No
- Does the district use position control data for budget development? Yes
- Does the budget development process include input from staff, administrators, board and community, as well as the budget advisory committee (if there is one)? Yes
- Are the LCAP and the budget adopted within statutory timelines established by Education Code Section 42103, and are the documents filed with the county superintendent of schools no later than five days after adoption, or by July 1, whichever occurs first? Yes

FCMAT reviewed the 2017-18 budget development calendar. The district's budget calendar is developed utilizing statutory timelines, identifies task and the responsible department.

Instead of zero-based budgeting, the district uses a virtual budget development tool for budget development. Training documents show that staffing levels from the current year are rolled into the next fiscal year. Managers and site principals determine staffing levels by adding or deleting full-time equivalent positions using averages based on the position control data, and any remaining balance can be spent on nonlabor categories.

Budget development begins in August of the preceding year and involved multiple central support departments as well as school sites. The district has developed a budget handbook that includes detailed instructions for major budget activities. Also incorporated in the budget development process are the steps necessary to fulfill the district's LCAP requirements for parent, community and employee engagement; LCAP progress; school site council budget reviews; meeting with bargaining units to discuss budget additions/deletions; federal grants; board study sessions and adoption dates for the LCAP and district budget.

The district developed and uses a 2017-18 budget development checklist with its sites as well as a comprehensive budget development guide. The guide describes the overall budget development process, how to engage in the process and a step-by-

step planning and preparation guide. Included is a narrative about major funding sources that clarifies how to utilize the resources for staffing purposes in an effort to comply with LCAP requirements, board of education actions, and the schools' priorities. Analysts from the Business Services Department try to visit school sites monthly to provide budgetary support and prepare journal entry forms.

Overall Rating:

Yes

13. Multiyear Projections

- Has the district developed multiyear projections that have reasonable assumptions? Yes
- Are projected fund balance reserves disclosed and based on the most reasonable and accurate information available? Yes
- At a minimum, are the multiyear projections compiled at budget adoption and at the time of interim reports? Yes
- For the purpose of calculating multiyear projections, is the district using the latest LCFF gap closure percentages that show the amount of funding necessary to maintain purchasing power for the LCFF statewide? Yes
- Is the LCFF target for each year recalculated based on the grade span ADA, and then compared to the adjusted prior year funding, so that the funding gap would then be reduced by the funding gap percentage for the given year? Yes

The district prepares multiyear financial projections (MYFPs) at each major reporting period in conjunction with each major reporting period. The MYFPs are presented at the same time as the budget reports using the latest LCFF assumptions for cost-of-living adjustment and gap closure. The LCFF target is automatically recalculated based on the district's declining enrollment, ADA, unduplicated counts together with cost-of-living adjustment and gap closure.

The district prepared the third interim report for 2016-17 demonstrating an inability to meet its required 2% reserve level. Included in the third interim report is the multiyear financial projection and district assumptions. Although assumptions for enrollment, ADA and step-and-column increases are reasonable, at the time of FCMAT's fieldwork the MYFP shows that \$23.07 million in budget adjustments is still needed to balance the unrestricted general fund in 2017-18.

The multiyear projection for 2017-18 unrestricted funds showed a modest reduction in revenues with a significant reduction in expenditures as shown in the table below. The district does not provide a narrative to explain how it plans to reduce unrestricted expenditures by \$13.8 million in 2017-18 and restore these expenditures by \$10 million in 2018-19. Without detailed information to support these reductions and subsequent increases, these projections are unreasonable.

OUSD - UNRESTRICTED MYFP ANALYSIS AT THIRD INTERIM 2016-17	Third Interim 2016-17	FISCAL YEAR 2017-18	FISCAL YEAR 2018-19
REVENUES	\$405,212,350	\$403,019,811	\$417,158,916
EXPENDITURES	\$335,675,742	\$321,876,847	\$331,850,428
SURPLUS (DEFICIT)	\$69,536,608	\$81,142,964	\$85,308,488
TRANSFERS IN	\$847,032	\$675,969	\$675,969
TRANSFERS OUT	\$4,468,860	\$4,569,856	\$4,683,645
CONTRIBUTIONS TO RESTRICTED PROGRAMS	\$(69,940,024)	\$(72,609,573)	\$(75,394,550)
INCREASE/DECREASE TO FUND BALANCE (NEGATIVE IS A STRUCTURAL DEFICIT)	\$(4,025,244)	\$4,639,504	\$5,906,262
UNRESTRICTED FUND BALANCE	\$8,431,472	\$13,070,975	\$18,977,238
RESERVE FOR ECONOMIC UNCERTAINTIES 2%	\$11,120,037	\$10,793,508	\$11,033,399
OTHER ASSIGNMENTS	-		
SURPLUS (SHORTFALL)	\$(2,688,565)	\$2,277,467	\$7,943,839

As mentioned in section two above, the district's unrestricted ending fund balance has decreased by \$9.3 million in the 2016-17 fiscal year. The largest adjustment was the result of overprojecting ADA for the adopted budget, which was adjusted at first interim; however, offsetting budget adjustments to expenditures were not incorporated until second interim.

Anticipated savings from a general fund spending protocol only caused the situation to worsen as sites and departments encumbered available budget balances in anticipation of the spending freeze.

From adoption to third interim, contributions to restricted programs increased by \$4.375 million, exacerbating the district's financial condition and eroding the unrestricted fund balance to less than the required 2% reserve level.

Overall Rating: **Yes**

14. Budget Monitoring and Updates

- Are budget assumptions updated throughout the year as updated information becomes available? Yes
- Are actual revenue and expenses in line with the most current budget? No
- Are budget revisions completed in a timely manner? No
- Does the district openly discuss the impact of budget revisions at the board level? Yes
- Does the district abide by Education Code 42127(h) by informing the board of education and the public, within 45 days of enactment of the state budget, of any changes in the state budget that would affect the adopted budget? Yes
- Are budget revisions made or confirmed by the board at the same time the collective bargaining agreement is ratified? Yes
- Has the district's long-term debt decreased from the prior fiscal year? No

- Are contributions to restricted programs controlled and monitored? No
- Has the district identified the repayment sources for long-term debt or non-voter-approved debt (e.g. certificates of participation, capital leases)? Yes
- Does the district's financial system have a hard-coded warning regarding insufficient funds for requisitions and purchase orders? Yes
- Does the district encumber salaries and benefits? Yes
- Are the balance sheet accounts in the general ledger reconciled regularly? No
- Does the district complete and file its interim budget reports within the statutory deadlines established by Education Code Section 42130 and following, in a format or on forms prescribed by the Superintendent of Public Instruction (SPI), and ensure that they are based on standards and criteria for fiscal stability? Yes

The district updates budget assumptions regularly in accordance with the latest information available from the governor's budget updates and legislative analysis office. While these types of assumptions primarily influence budgeted revenues and costs associated with employee pension obligations, budgeted expenditures are not properly aligned with actual financial activity in a timely manner.

Managing a multimillion dollar budget requires sufficient personnel devoted to managing and developing the budget; communication channels from the budget office to other district divisions; departments and school sites; and adherence to a sound operating structure. Defined roles, responsibilities and commitment to board policy that govern the process for budget development and monitoring is essential to ensuring that the working budget accurately reflects current financial activity and accurately projects the impact on available fund balance and required reserve levels.

The following shows a breakdown in each element listed above.

- Absent a definitive structure to approve exceptions for overspending site or department budgets, several personnel are authorized to make decisions that have a budgetary impact prior to governing board approval.
- Reductions by the governing board targeted at the district office caused severe shortages in staffing levels especially in the Budget and Finance departments. This has given the department insufficient time to analyze and monitor the budget, plan and incorporate multiyear financial projections or provide sufficient training to staff.
- The overwhelming volume of work with limited staff has forced employees to react to budget issues instead of taking a proactive approach to monitoring budgets to actual expenditures.
- Although the district has the option of restricting spending through a "hard coded stop" at the requisition level if there is insufficient budget authority, accounts are often overridden without consequences to those who knowingly overspend their budgets. Exceptions are consistently occurring at the administrative level, which has contributed greatly to district overspending.

- Information does not always filter to the appropriate budget/finance personnel in a timely manner to ensure the budget can be updated and maintained appropriately.
- The inability to properly analyze budgets has caused the district to be out of compliance with spending protocols in federal and state programs based on audit findings.
- The district encumbers salary and benefits in the payroll system from the position control system; however, the position control system does not interface with the budget system. The district should ensure that budget and payroll are interfaced with position control and that periodic internal audits are conducted, discrepancies adjusted and management reviews the findings.

The district should provide more training for all personnel and board members to enhance their school finance knowledge. This will make the presentations more understandable and help the board ask questions that will enhance their understanding of the budget and multiyear financial projections.

Special education costs continue to rise significantly. Possible reasons include the high turnover in administrative staffing; the inability to control costs; and the inability to implement planned reductions such as eliminating contract nursing. As previously mentioned in section nine above, the board should consider an in-depth review of the special education program to assess cost containment and continue to maintain a free appropriate public education for disabled children.

The district should address issues identified throughout this report that have a major impact on its budget.

Overall Rating: No

15. Retiree Health Benefits

- Has the district completed an actuarial valuation to determine the unfunded stability under GASB 45 requirements? N/A
- Does the district have a plan for addressing the retiree benefits liabilities? N/A
- Has the district conducted a re-enrollment process to identify eligible retirees? N/A

The district does not have retiree benefits; therefore, there is no requirement for GASB 45.

Overall Rating: N/A

16. Leadership/Stability

- Does the district have a superintendent and/or chief business official who has been with the district more than two years? No
- Does the governing board adopt and revise understandable and timely policies and support the administration to ensure implementation? No
- Does the superintendent adopt and revise understandable and timely administrative regulations and ensure that adopted board policies and approved administrative regulations are communicated to staff and followed? No
- Does the governing board refrain from micromanaging district administration and staff? No

An important component of district stability is a culture and practices that promote and support systematic reform, innovative leadership and high expectations to improve student learning. The district has had five superintendents in the last nine years.

This fiscal year, the comptroller and chief financial officer positions were vacated, and the district has elected not to fill these critical positions until a later date. The duties and responsibilities of these high-level business positions were reassigned to other accounting and business personnel.

Each new superintendent has implemented changes to educational programs and budget management, particularly with staffing and expenditure exceptions. Employees interviewed perceive that changes have been based on these past administrators' personal interests, which at times have clashed with some board members and other administrators, creating an atmosphere that has been harmful to the district's growth and stability.

When senior administrative positions are constantly changing because of turnover in key management positions, employees assigned to budget management are in an environment of constant flux making it difficult, if not impossible, to present a reliable financial position for the district.

Based on the information in this report, the district has lost control of its spending, allowing school sites and departments to ignore and override board policies by spending beyond their budgets. In many cases, board policies are knowingly ignored and/or circumvented without consequences. During the former superintendent's tenure, this behavior has permeated to the site administration, causing a lack of consistency in appropriate site size, staffing, class offerings and budgets. The principals' accountability to district administration has eroded to the point that they criticize district administrators in open board sessions.

CSBA board standards states the following:

The primary responsibilities of the board are to set a direction for the district, provide a structure by establishing policies, ensure accountability and provide community leadership on behalf of the district and public education.

While the board has updated many board policies, school sites and some district level departments reportedly fail to follow them, and senior administrators do not believe the board supports them in enforcing these policies and/or regulations.

The school board should follow CSBA standards that recommend boards function as one body with a common message. The following CSBA standard has not been consistently followed:

School districts and county offices of education are governed by boards, not by individual trustees. While understanding their separate roles, the board and superintendent work together as a “governance team.” This team assumes collective responsibility for building unity and creating a positive organizational culture in order to govern effectively.

Requests for information should come from the board as a governing body not from individual board members without the knowledge of other board members. Issues of clarification should follow a prescribed process in open session, or questions should be developed before board meetings and given to the superintendent for distribution to the appropriate staff member.

Overall Rating:

No

17. Charter Schools

- Has the district identified a specific employee to be responsible for ensuring that adequate oversight occurs for all approved charter schools? Yes
- Has the charter school submitted the mandated financial reports on time? Yes
- Has the charter school commissioned an independent audit? Yes
- Does the audit reflect findings that will not impact the fiscal certification of the authorizing agency? Yes
- Is the district monitoring and reporting the current status to the board to ensure that an informed decision can be made regarding the reauthorization of the charter? Yes

The district has a separate charter division and identified employees that correspond directly with each of the 37 active (two closed in 2016-17) charter schools. Checklists for timely submission of information are logged for each charter school. When necessary, letters or notice of concern/violation identifying specific concerns are sent to the charter school administration. A “Summary Checklist” is a document created by the charter school division staff to measure each charter school’s financial condition. Special notes pointing out unusual variances, such as mergers or grade level additions, accompany the financial analysis for the charter school.

The district calculates several financial ratios for each charter that cover multiple fiscal years to monitor the fiscal condition and provide a trend analysis at a glance. It tracks reporting timelines and requirements for each charter school to ensure timely submission of budget and interim report filings.

The charter school division has an organization system of data collection and analysis. Charter schools are encouraged to communicate with various trained staff members for assistance and guidance.

Each charter school is required to have an annual independent audit. The charter school division reviews the findings and recommendations and follows up on corrective action(s) when appropriate.

In some instances, the audit reports have findings that will not affect the fiscal certification yet charter division staff provide assistance to the charter schools to enhance protocols, policies and procedures to avoid future audit findings.

The charter school division updates the governing board timely on the status of all charter schools the board authorized.

Overall Rating: **Yes**

18. Internal Controls and Annual Independent Audit Report

- Does the district implement appropriate measures to discourage and detect fraud? No
- Did the district receive an independent audit report without material findings? No
- Can the audit findings be addressed without affecting the district's fiscal health? Yes
- Has the independent audit report been completed and presented within the statutory timeline? Yes
- Are audit findings and recommendations reviewed with the board? Yes
- Did the audit report meet both GAAP and GASB standards? No

Internal controls are designed to adequately prevent, discourage and detect fraud and safeguard district assets. Effective internal controls provide reasonable assurance that operations are efficient and effective. Properly functioning internal controls are intended to discourage and detect fraud in a timely manner allowing management to respond. Operational internal controls provide a framework and structure for an organization's employees to function within clearly identified areas of authority and responsibility for appropriate approvals.

The district employees interviewed indicated the organization practices ethical behavior; however, several employees cite numerous staff reductions and turnovers at the central office level, creating a stressful work environment with overworked employees. Of concern is turnover and vacancies in key management positions, most notably the comptroller and chief financial officer vacancies approximately six months at the time of FCMAT's fieldwork. The duties and responsibilities have been reassigned to other staff members, which may not provide sufficient separation of duties.

Many employees report a lack of consistency and continuity with district policy and procedures. Examples include: lack of supporting documentation for accounts payable, spending beyond site/department budgets and lack of supporting documentation for payment of vendor invoices. School sites and departments are reportedly not held accountable for exceeding their budgets, and personnel additions are authorized without sufficient budget to support these positions.

The most recent audit report for the year ending June 30, 2016 identifies internal control findings consistent with FCMAT’s findings and was filed timely. In addition, the findings were distributed to the appropriate district staff member for resolution and provided to the governing board. Except for one audit finding in ASB finding 2016-001, the district complied with GASB and GAAP requirements for financial reporting.

The auditor issued a qualified opinion on the district’s financial statements and a material weakness in the internal controls; a qualified opinion and significant deficiency with respect to certain federal programs; and qualified opinion on state compliance. A detailed listing of these findings is provided in the tables below. None of the findings have a material impact on the district’s fiscal health.

The table below is the independent auditor’s schedule of findings and questioned costs that form the basis of their qualified opinion on federal programs where the auditor “identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.”

Finding	Program Name	Compliance Requirement
2016-004	Title I; Title II; 21st Century; Special Education; National School Lunch Program; Child and Adult Care Food Program; and Child Care.	Procurement, suspension and debarment.
2016-005	Title I	Special tests and provisions.

The following is the independent auditor’s schedule that forms the basis of the auditor’s qualified opinion on state compliance:

2016-006 – State Programs	After School Education and Safety
2016-007 – State Programs	School Accountability Report Card
2016-008 – State Programs	Local Control Funding Formula Pupil Count
2016-009 – State Programs	Educator Effectiveness

The following is the independent auditor’s schedule of findings and questioned costs related to internal controls:

2016-001 – ASB Not resolved from prior year audit.	Financial Statement Presentation of Fiduciary Funds, ASB	The District has not prepared a summary of the Associated Student Body (ASB) funds in an auditable format.
2016-002 – Fiduciary Fund 76 Not resolved from prior year audit.	Financial Statement Presentation of Fiduciary Funds, Fund 76 Reconciliation Code	Monthly reconciliation process for the fiscal year ended June 30, 2016 was not being satisfactorily completed.
2016-003 – Human Resources/ Payroll Not resolved from prior year audit.	Human Resources/Payroll Internal Control Findings Code	The district has established internal controls designed to ensure completeness and accuracy regarding the reporting of employee information to the medical and pension benefit providers but is not always maintaining such documentation in auditable form.

The district has made significant progress during the last two fiscal years resolving past audit findings and ensuring timely reporting.

Overall Rating: **Yes**

19. Facilities

- Has the district passed a general obligation bond? Yes
- Has the district met the audit and reporting requirements of Proposition 39? No
- Is the district participating in the state's School Facilities Program? Yes
- Does the district have sufficient personnel to properly track and account for facility-related projects? Yes
- Has the district met the reporting requirements of the Williams Act? Yes
- Is the district properly accounting for the Routine Repair and Maintenance Account requirement at the time of budget adoption? Yes
- Does the district prioritize facility issues when adopting a budget? Yes
- If needed, does the district have surplus property that may be sold or used for lease revenues? Yes
- If needed, are there other potential statutory options? Yes
 - Joint Use: Can the district enter into a joint use agreement with some entities without declaring the property surplus and without bidding?
 - Joint Occupancy: The Education Code provides for a joint venture that can authorize private development of district property that will result in some educational use.
- Does the district have a long-range facilities master plan that was completed or updated in the last two years? No

The district has passed two school facilities improvement bond measures. Measure B, passed in June 2006, for \$435 million and most recently Measure J, passed June 2012, for \$475 million. Bond expenditures are restricted to projects described in the official bond measures project list as approved by the governing board.

The Independent Citizens Oversight Committee, as required by Education Code Section 15278, is an advisory committee made up of at least seven members (Oakland Unified has nine members) comprised of local citizens. The purpose is to inform the public about bond expenditures; review and report on the proper expenditure of taxpayers' money for school construction projects; advise the public whether the school district complies with state requirements; ensure that no funds are used for teacher or administrative salaries including any school operating expenses; receive and review the annual independent audit report; inspect and visit project sites, and review district plans for cost saving measures.

An important component of the committee's work is posting annual reports to the district's website for public review. Annual reports posted on the district's website

go through June 5, 2015. Although not published on the district's website, FCMAT was provided with the August 2016 annual report, committee minutes, as well as appointments and reports which can also be located on the district's webpage at <https://ousd.legistar.com/Legislation.aspx>.

A board item posted for the April 3, 2014 board meeting shows that Measure G audits for fiscal years 2010-11 through 2012-13 had not been completed. The status of completion was discussed with the governing board. FCMAT was not provided with audit reports for the bonds, and a review of district board minutes posted on the website did not reveal recent audit reports. The district may be out of compliance in this area. It is imperative that the district post all audit reports on the website for public inspection and comply with state audit timelines.

The district has several small school sites that could be utilized as joint-use, joint-occupancy or surplus property. The governing board would need to take formal action to investigate these options.

Five employees, including a bond analyst and a financial manager, report to the deputy chief, who administers the Facilities Planning and Management Department. To maintain all school facilities of the district, the district is required to fund the Restricted Routine Maintenance Account (RRMA). During the phase-in period established by legislation, the calculation for 2016-17 is the lesser of 3% of the total general fund expenditures for the annual budget, or the amount deposited in the RRMA account in 2014-15. FCMAT tested the RRMA contributions based on the district's adopted budget. Budgeted general fund expenditures and transfers out total \$520,262,634; therefore, the 3% requirement would be \$15,607,879. The district's annual budget has \$13,548,405, or 2.6%, identified for RRMA contributions. Because FCMAT was not provided with the 2014-15 contributions, the district should ensure that the requirements are met for 2016-17 in accordance with the phase-in requirements.

The department reports that completed work orders decreased from 2015-16 to 2016-17 and attributes this to establishing defined departmental guidelines that distinguish the work considered routine repairs from normal maintenance. Open work orders have increased during this same time period. The district indicated that this occurred for several reasons including nine vacancies unfilled because of a hiring freeze; several department employees on medical leave; no substitute pool to replace workers; and no authorization for overtime.

The last facilities master plan was published in 2012. On October 5, 2016, district administration presented to the bond oversight committee an academic master plan that aligns Measures A, B and J with educational needs particularly in the areas of class size reduction and technology. The following is an excerpt from this meeting:

This will be an update to the 2012 long range master planning related to the planning and construction of additions to existing school sites; modernization; reconstruction; demographic study; attendance boundaries; school site grade configuration; feeder patterns; ADA assessment; educational programs and alignment with District's Pathway to Excellence 2015-2020 Strategic Planning; facility condition assessment; and site capacity assessment.

District administration anticipates publishing the new plan in fall 2017.

Overall Rating: Yes

20. General Ledger

- Does the district record all financial activity for all programs accurately and in a timely manner, ensuring that work is properly supervised and reviewed? Yes
- Has the district closed the general ledger (books) within the time prescribed by the county office of education? Yes
- Does the district follow a year-end closing schedule? Yes
- Have beginning balances in the new fiscal year been recorded correctly for each fund from the prior fiscal year? No
- Does the district adjust prior year accruals if the amounts actually received (A/R) or paid (A/P) are greater or less than the amounts accrued? No
- Does the district reconcile all suspense accounts, including payroll, at the close of the fiscal year? Yes

Based on FCMAT's limited review, all financial activity is recorded timely and accurately; however, communication has broken down between the budget and accounting offices, making it possible for financial information to be delayed, making cash reconciliation more difficult and causing the timing of financial transactions to cross fiscal periods.

Communication breakdown between various central office departments and sites make it possible for the coordination of new funds to be delayed in the budget and accounting offices, creating an impact on cash flow and inclusion of grant information in financial presentations.

The district follows a year-end closing schedule and has complied with the closing timelines at year-end.

As noted by the Alameda County Office of Education in its letter dated May 8, 2017, the beginning balances for 2016-17 are incorrectly stated. This must be corrected before the district can close its books for the 2016-17 year because it will cause a "fatal" error in the SACS software, preventing the district from reporting to the state.

Although most accruals and due to/from beginning balances have been reversed, not all have been cleared. The best practice is to reverse all prior year accruals, due to/from, and unearned revenue before the second interim reporting period and no later than January 31 of each fiscal year. Any variances should be properly investigated.

District staff reconciles all suspense accounts during the closing schedule.

Overall Rating:

Mixed

FCMAT's overall rating is summarized in the following table.

Section	Title	Rating
1	Deficit Spending	No
2	Fund Balance	No
3	Reserve for Economic Uncertainty	No
4	Enrollment and Attendance	Mixed
5	Debt	Yes
6	Cash Monitoring	Mixed
7	Bargaining Agreements	No
8	General Fund	Mixed
9	Encroachment	No
10	Management Information Systems	Yes
11	Position Control and Human Resources	No
12	Budget Development and Adoption	Yes
13	Multiyear Projections	Yes
14	Budget Monitoring and Updates	No
15	Retiree Health Benefits	N/A
16	Leadership/Stability	No
17	Charter Schools	Yes
18	Internal Controls and Annual Independent Audit Report	Yes
19	Facilities	Yes
20	General Ledger	Mixed

District scores are summarized as follows:

No responses	8
Yes responses	7
Mixed	4
Not applicable	1
Total	20

Summary

The district budget is the responsibility of the governing board. Senior management must present sound financial information supported by trend analysis, budget assumptions and multiyear projections based on accurate information for the board to make informed decisions.

Throughout this report, FCMAT has identified leadership breakdown at the governing board and superintendent levels, including the board's inadequate attention to signs of fiscal distress and refusal to consolidate small school sites, allowing school sites full autonomy to make decisions that impact auxiliary services. The board would benefit from in-depth governance training.

There are signs of fiscal distress for Oakland Unified School District. Of particular concern is deficit spending, substantial reductions in fund balance, inadequate reserve levels, approval of bargaining agreement beyond cost-of-living adjustments, large increases in contributions to restricted programs especially in special education, lack of oversight for position control that allows positions to be added before verification of funding and board approval, breakdown in leadership with excessive turnover, and the inability of the governing board to hold accountable administrators that have been allowed to overspend budgets and override board policy.

The district should take immediate action to avoid further erosion of the district's reserve levels and possible fiscal emergency.

Subsequent Events

Following FCMAT's fieldwork and as this report was being written, the district approved the 2017-18 adopted budget. According to narrative documents provided by the district, budget reductions at the district's central office divisions totaled \$17.6 million. FCMAT notes the following adjustments when comparing the 2016-17 third interim report to the 2017-18 adopted budget:

1. Combined revenues increased \$1.8 million.
2. Combined expenditures decreased by \$8.8 million
3. Indirect costs increased by \$1.1 million to offset operating expenditures, and
4. Contributions to restricted programs decreased by \$2.6 million.

Fund balance increased by \$8.1 million overall based on these budget adjustments and assumptions. FCMAT did not review support documentation and therefore has no opinion on the validity of the projections or assumptions.

Appendix

A: Study Agreement

Appendix A - Study Agreement



CSIS California School Information Services

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT April 24, 2017

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Oakland Unified School District, hereinafter referred to as the district, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). The district has requested that the team assign professionals to study specific aspects of the district's operations. These professionals may include staff of the team, county offices of education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

In keeping with the provisions of Assembly Bill 1200, the county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis, and determine the district's risk rating.

B. Services and Products to be Provided

1. Orientation Meeting - The team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review - The team will conduct an on-site review at the district office and at school sites if necessary.
3. Exit Meeting - The team will hold an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.

4. Exit Letter – Approximately 10 days after the exit meeting, the team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.
5. Draft Management Letter - Electronic copies of a preliminary draft management letter will be delivered to the district’s administration for review and comment.
6. Final Management Letter - Electronic copies of the final management letter will be delivered to the district’s administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.
7. Follow-Up Support – If requested by the district within six to 12 months after completion of the study, FCMAT will return to the district at no cost to assess the district’s progress in implementing the recommendations included in the management letter. Progress in implementing the recommendations will be documented to the district in a FCMAT management letter. FCMAT will work with the district on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after completion of the study.

3. **PROJECT PERSONNEL**

The FCMAT study team may also include:

- | | |
|----------------------------|-------------------------|
| <i>A. To be determined</i> | <i>FCMAT Staff</i> |
| <i>B. To be determined</i> | <i>FCMAT Consultant</i> |
| <i>C. To be determined</i> | <i>FCMAT Consultant</i> |

4. **PROJECT COSTS**

The cost for studies requested pursuant to Education Code (EC) 42127.8(d)(1) shall be as follows:

- A. \$650 per day for each staff member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.
- B. All out-of-pocket expenses, including travel, meals and lodging.
- C. The district will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon the district’s acceptance of the final management letter.

Based on the elements noted in section 2A, the total not-to-exceed cost of the study will be \$30,000.

- D. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools - Administrative Agent located on 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. **RESPONSIBILITIES OF THE DISTRICT**

- A. The district will provide office and conference room space during on-site reviews.
- B. The district will provide the following if requested:
1. Policies, regulations and prior reports that address the study scope.
 2. Current or proposed organizational charts.
 3. Current and two prior years' audit reports.
 4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
 5. Documents should be provided in advance of field work; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the district will upload all requested documents.
- C. The district's administration will review a preliminary draft copy of the management letter resulting from the study. Any comments regarding the accuracy of the data presented in the management letter or the practicability of the recommendations will be reviewed with the team prior to completion of the final management letter.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with pupils. The district shall take appropriate steps to comply with EC 45125.1(c).

6. **PROJECT SCHEDULE**

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

Orientation:	to be determined
Staff Interviews:	to be determined
Exit Meeting:	to be determined
Preliminary Management letter Submitted:	to be determined

Final Management Letter Submitted:	to be determined
Board Presentation:	to be determined, if requested
Follow-Up Support:	if requested

7. **COMMENCEMENT, TERMINATION AND COMPLETION OF WORK**

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its management letter, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a preliminary draft management letter and a final management letter. Prior to completion of fieldwork, the district may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the district does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its management letter and the district will be responsible for the full costs. The district understands and agrees that FCMAT is a state agency and all FCMAT management letter or reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a management letter or report once fieldwork has been completed, and the district shall not request that it do so.

8. **INDEPENDENT CONTRACTOR**

FCMAT is an independent contractor and is not an employee or engaged in any manner with the district. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the district in any manner without prior express written authorization from an officer of the district.

9. **INSURANCE**

During the term of this agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by the district, automobile liability insurance in the amount required under California state law, and workers compensation as required under California state law. FCMAT shall provide certificates of insurance, with Oakland Unified School District named as additional insured, indicating applicable insurance coverages upon request, prior to the commencement of on-site work.

10. HOLD HARMLESS

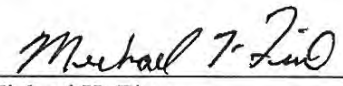
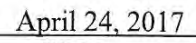
FCMAT shall hold the district, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the district shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

11. CONTACT PERSON

Name: James Harris, Board President
Telephone: (510) 879-8200
E-mail: james.harris@ousd.org

Dr. Devin Dillon, Interim Superintendent Date
Oakland Unified School District

Michael H. Fine Date
Chief Administrative Officer
Fiscal Crisis and Management Assistance Team