

Board Office Use: Legislative File Info.	
File ID Number	19-2274
Introduction Date	11/13/19
Enactment Number	
Enactment Date	



Memo

To	Board of Education
From	Kyla Johnson-Trammell, Superintendent Luz Cazares, Interim Chief Financial Officer Preston Thomas, Chief Systems and Services Officer
Board Meeting Date	11/13/2019
Subject	Resolution 1819-0144 Discussion
Action	Board Discussion on Resolution 1819-0144 regarding reinstatement of funds to school sites based on updated information on the 19-20 Adopted Budget and budget revisions.
Fiscal Impact	Yes
Dollar Amount	\$2,500,000
Budgeted	No
Budget Source	General Fund
Recommended Action	The Board should evaluate the Multi-Year Projections at the Presentation of the First Interim Report for the 2019-20 fiscal year to determine if the Board should modify or amend board Resolution 1819-0144.

Background:

On March 3, 2019, the Board passed Resolution 1819-0144 that outlined critical reductions that were needed in order to achieve and maintain a 3% Reserve for Economic Uncertainty and ensure that OUSD maintained fiscal stability in the 2019-20 school year.

The adopted budget did not include the proposed Service Employee International Union (SEIU) settlement, because it had not yet been approved by the board. In order to address the impact of the SEIU agreement, the Board passed Resolution 1819-0219, which required OUSD to incorporate a \$10.0M reduction in 2020-21 and a \$10.5M reduction in 2021-22 in order to maintain the 3% Reserve. The SEIU agreement was adopted by the Board during the July 2, 2019, Special Board meeting at the beginning of the 2019-20 school year and will be fully incorporated into the First Interim Report.

For the school sites, the actual 2019-20 reduction in site discretionary budgets when each school's budget was loaded was \$2.5 M. The District only realized 80% of the total cuts that were planned for school sites.

The unrestricted fund balance at the closing of 2018-19 was \$30.6 million as reported in September 2019. While this is the most recent reporting of our fund balance, any impact of these 2018-19 results on the 2019-20 budget will be presented at the First Interim in December 2019. For the 2018-19 unrestricted reserve, \$16.9 million represented a 3% board required reserve and \$2.8 in additional reserves for a total of 3.51% in reserves for economic uncertainty. The remaining unrestricted funds were earmarked for routine restricted maintenance \$.6 million, stale-dated warrants \$1.6 million, Prop 39 charter repairs \$2.3 million and unassigned and an appropriated \$5.6 million. Subsequently, the board approved assigning these funds to cover \$1.3 million in special ed costs and \$3.4 million in SEIU agreements. Of the original \$5.6 million in unassigned unrestricted dollars, only \$600k is remaining.

Currently, including the \$600k in unassigned funds, the district has approximately \$3.4 million above the 3% mandated reserve. These funds can be used to address economic uncertainty and cover unexpected or unbudgeted costs. Examples of these costs that the board will need to consider this year include \$1.5 million in Chromebook upgrades, \$1 million in central kitchen staffing and strategic investments such as funding to support design teams.

Funds Allocated to Schools:

In reviewing the final allocations to school sites, the planned reduction of \$3.0M was actually \$.5M less than projected. The net impact on schools was a \$2.5M reduction in discretionary funds. In addition to the reductions, restricted resources increased directly to the schools in the form of Supplemental funding, Title 1 and Title 4. The restricted resources were allocated to schools serving higher populations of unduplicated students and students qualifying for free and reduced lunch.

Description	Resource	Funding
Reduction in Discretionary Funding to School Sites	General Fund	(2,500,000)
Supplemental Funding to School Sites	Supplemental	\$2,750,000
Title 1 Carryover Returned to Sites	Title 1	\$1,500,000
Title 4 (new allocation)	Title 4	\$500,000
	Total Increase	\$2,250,000

Discussion:

Based on the county's and district's most recent analysis, cuts to ongoing expenses of \$10 million in 2020-21 and \$10.5 million in 2021-22 will be necessary in order to cover the labor agreements with OEA and SEIU. Any additionally large investments, including raises for other bargaining units, will require additional reductions in order to maintain a balanced budget and mandated Board and State reserves.

The board should consider several potential challenges to the budget over the next three years including flat funding, a possible recession, increasing labor costs due to raises to all bargaining units, increasing costs for retirement and health benefits, and increased special education expenses that continue to outpace state

funding,

Based on the most recent financial data and based on Board direction to use “conservative revenue projections and assumptions,” the staff recommends delaying any restoration of funds to school sites until the First Interim Report that will be accompanied by the revised Multi-Year Budget Projection that includes both the OEA and SEIU settlements. Additionally, there are tradeoffs the Board should consider--restoring discretionary funds to school sites in the short term are likely to result in increased reductions in future years based on the Multi-Year Projections. We will bring additional revisions to the Board in December with the 1st Interim Report, which will include our revised LCFF calculation, carryover, and additional revisions to ease the development, updating, and monitoring of our budget.

Policy Implications or Previous Board Actions:

- Board Resolution 1819-0144
- Board Policy 3100.1
- Board Resolution 1819-0219
- [19-1575 District's 2019-2020 Fiscal Year Budget Revision No. 1](#)
- [19-1575 Fiscal Year 2019-2020 Budget Revision No. 1 \(Differences\)](#)
- [19-2081 Fiscal Year 2019-2020 District Budget Revision No. 2](#)