



MEMORANDUM

DATE: March 14, 2018

TO: Board of Trustees

FROM: Kyla Johnson-Trammell, Superintendent
Linda Wu, Financial Officer

RE: 2017-18 Second Interim Report - Briefing for Board

The purpose of this memo is to provide the background and summary of the District's 2017-18 Second Interim Financial Report. Also attached is the PowerPoint with additional information for the Board meeting. The Board will be asked to approve the report to submit to the Alameda County Office of Education (ACOE). The Board will also be asked to approve the changes to the budget that are reported in the Second Interim (Budgetary Increases/Decreases and Transfers). The agenda package includes separate resolutions for these actions.

Second Interim Report – Background: California school districts are required to file a first and second interim report with their county office of education, if either of the reports are “positive”. Report provides the District's financial picture as of January 31, 2018. After budget adoption in June, the District adjusts its budget periodically to incorporate current information. The First Interim Budget, presented to the Board on December 13, 2017, is the latest version of the 2017-18 Budget. It is used as a point of comparison to the Second Interim Report. After Board approval, the Second Interim Report is submitted to ACOE by March 19. ACOE will review it and provide comments back to the District, and will report to the State within 75 days.

Unrestricted General Fund Results: The table below compares the revenues and expenditures of the Second Interim to the First Interim Budget.



OUSD General Fund Budget	First Interim	General	Second Interim
	12/13/2017	Unrestricted Change	3/14/2018
Unrestricted			
A. REVENUE			
1. LCFF Sources	361,813,016	420,197	362,233,213
2. Federal	63,500	-	63,500
3. State	13,347,383	-	13,347,383
<i>1a. 1X Funds - Obj 8550</i>	-	-	-
4. Local	35,369,881	-	35,369,881
Total Revenue	410,593,780	420,197	411,013,977
B. EXPENDITURES			
1. Certificated	141,103,328	(1,481,894)	139,621,434
2. Classified	57,933,585	(768,170)	57,165,415
3. Benefits	82,384,610	(35,355,659)	47,028,951
<i>3a. H&W Costs</i>		<i>34,445,429</i>	<i>34,445,429</i>
4. Books & Supplies	6,153,274	(535,888)	5,617,387
4a. Midyear Adjustments	-	210,030	210,030
4b. Surplus	2,135,670	(305,692)	1,829,978
5. Contracts & Services	39,686,160	(702,201)	38,983,960
<i>5a. Sub Agreements</i>		-	
6. Capital Outlay	74,514	(4,660)	69,854
7. Other Outgo	6,087,521	-	6,087,521
8. Direct Support/Indirect Costs	(4,808,061)	(127,350)	(4,935,411)
9. Interfund Transfers (Trnsf Out-In)	2,106,744	546,650	2,653,394
10. Contributions to Restricted Prog	71,006,060	-	71,006,060
Total Expenditures	403,863,407	(4,079,404)	399,784,003
C. Net Incr/Decr to Fund Balance	6,730,373	4,499,601	11,229,974
D. Fund Balance, Reserves			
1. Beginning Fund Balance	3,420,073	-	3,420,073
Assigned: LCFF-S&C		-	
2. Ending Balance (C+D1)	10,150,446	4,499,601	14,650,047

Revenues: Unrestricted revenues increased by **\$.4 million** from the First Interim Budget.

The increase in Local Control Funding Formula (LCFF) Revenue in the amount of \$.4M is the result of an increase in the current ADA from projection used at First Interim.

Expenditures: Unrestricted expenditures decreased by approximately **\$4 million**.

- **Salaries, Supplies, Services & Equipment**



- ✓ **\$4M** decrease in expenditures are a result of ongoing efforts to meet mid-year reduction targets across all expense categories
 - ✓ Fluctuations at the expense categories level will continue to fluctuate on an ongoing basis as sites have the autonomy to continue processing budget transfers based on their updated priorities.
- **Net Other Uses** of unrestricted funds increased by approximately \$.5M based primarily on updated projections for Food Services.

Fund Balance: The net result is an Unrestricted Ending Fund Balance that is \$4.5M more than the First Interim budget.

OUSD General Fund Budget	First Interim	General	Second Interim
	12/13/2017	Unrestricted Change	3/14/2018
Unrestricted			
2. Ending Balance (C+D1)	10,150,446	4,499,601	14,650,047
3. Revolving Cash	150,000	-	150,000
4. Reserve Economic Uncertainty	10,000,446	4,499,601	14,500,047

The ending fund balance is projected to meet the 2% minimum State requirement of Reserves for Economic Uncertainty. However, it will not meet the current Board policy requirement of a 3% reserve.

Cash Flow: Due to the predictable, but uneven, stream of revenue from federal and local sources, monitoring cash flow is critical to making payroll and paying vendors. To buffer against the risk of a cash shortfall, the District borrows against its tax revenues from Alameda County Treasurer. The \$26 million loan was taken in Oct 2017 and will be repaid in April 2018. The State does not expect to defer payments due to school districts from one fiscal year to the next, which improves the District’s cash position. The District does not expect to borrow across fiscal years. The District projects positive cash balances through the end of the fiscal year, with an ending cash balance of \$23.8 million on June 30, 2018.



Actual Cash Balance	July 2017 Actual	August 2017 Actual	September 2017 Actual	October 2017 Actual	November 2017 Actual	December 2017 Actual
Beginning Cash	\$ 23,822,827	\$ 13,123,012	\$ 12,139,338	\$ 16,364,564	\$ 13,005,105	\$ 7,101,630
Total Receipts	17,765,515	14,064,227	42,463,665	26,066,616	27,793,928	103,206,461
Total Disbursements	15,672,714	20,146,701	42,200,394	47,528,629	47,619,170	46,754,583
A/R & A/P	(12,792,616)	5,098,801	3,961,954	18,102,554	13,921,767	(12,091,897)
Net Increase / Decrease	(10,699,815)	(983,674)	4,225,226	(3,359,459)	(5,903,475)	44,359,982
Ending Cash	\$ 13,123,012	\$ 12,139,338	\$ 16,364,564	\$ 13,005,105	\$ 7,101,630	\$ 51,461,612
Actual Cash Balance	January 2018 Actual	February 2018 Projected	March 2018 Projected	April 2018 Projected	May 2018 Projected	June 2018 Projected
Beginning Cash	51,461,612	47,241,535	46,805,938	37,466,416	40,654,580	24,151,649
Total Receipts	39,382,656	38,811,946	39,993,004	78,777,293	40,217,351	69,902,208
Total Disbursements	44,523,825	46,144,455	51,401,577	51,998,130	53,904,494	61,559,089
A/R & A/P	921,093	6,896,912	2,069,051	(23,590,999)	(2,815,788)	(8,650,795)
Net Increase / Decrease	(4,220,077)	(435,597)	(9,339,522)	3,188,164	(16,502,931)	(307,675)
Ending Cash	\$ 47,241,535	\$ 46,805,938	\$ 37,466,416	\$ 40,654,580	\$ 24,151,649	\$ 23,843,973

Multiyear Projections: An essential part of interim reporting is the multiyear projections. Using a reasonable set of assumptions about future years, the District has projected an increase in the unrestricted fund balance over the next two years. These results are based on stable enrollment and an increase in funding from LCFF assuming 100% of gap funding in 2018-19 and 0% of gap funding in 2019-20.

The other key assumptions are cost of living increases (which are incorporated into the LCFF full funding levels), step and column increases, the growth in health and retirement benefits, and removing or adding one-time items. The unrestricted General Fund is estimated to increase over the next two years.

The restricted balance is expected to decrease as the fund balance is spent down. Reductions in overall restricted costs of \$6.5 million in 2018-19 and \$.5 million in 2019-20 are also assumed.



OUSD General Fund Budget	MYP		
	Second Interim	18-19	19-20
Unrestricted	3/14/2018	Projection	Projected
A. REVENUE			
1. LCFF Sources	362,233,213	377,593,451	382,977,450
2. Federal	63,500	63,500	63,500
3. State	13,347,383	7,201,249	7,374,799
<i>1a. 1X Funds - Obj 8550</i>	-	10,336,850	-
4. Local	35,369,881	35,369,881	35,369,881
Total Revenue	411,013,977	430,564,931	425,785,630
B. EXPENDITURES			
1. Certificated	139,621,434	138,106,032	131,460,248
2. Classified	57,165,415	55,689,593	53,744,682
3. Benefits	47,028,951	52,882,404	55,094,180
<i>3a. H&W Costs</i>	<i>34,445,429</i>	<i>36,237,588</i>	<i>37,191,205</i>
4. Books & Supplies	5,617,387	5,460,262	5,083,769
4a. Midyear Adjustments	210,030	5,210,030	5,210,030
4b. Surplus	1,829,978	-	-
5. Contracts & Services	38,983,960	38,893,538	36,691,823
<i>5a. Sub Agreements</i>		-	-
6. Capital Outlay	69,854	69,854	69,854
7. Other Outgo	6,087,521	7,787,521	7,787,521
8. Direct Support/Indirect Costs	(4,935,411)	(4,935,411)	(4,935,411)
9. Interfund Transfers (Trnsf Out-In)	2,653,394	12,226,728	12,226,728
10. Contributions to Restricted Prog	71,006,060	78,039,709	85,843,680
Total Expenditures	399,784,003	425,667,849	425,468,309
C. Net Incr/Decr to Fund Balance	11,229,974	4,897,082	317,321
D. Fund Balance, Reserves			
1. Beginning Fund Balance	3,420,073	14,650,047	19,547,129
Less Assigned: LCFF-S&C		2,000,000	2,000,000
2. Ending Balance (C+D1)	14,650,047	17,547,129	17,864,450



OUSD General Fund Budget Restricted	Second Interim	18-19	19-20
	3/14/2018	Projection	Projection
A. REVENUE			
1. LCFF Sources	2,890,934	2,890,934	2,890,934
2. Federal	49,035,041	42,400,758	38,160,682
3. State	57,976,624	57,515,422	54,639,651
4. Local	41,816,478	37,805,078	37,805,078
Total Revenue	151,719,077	140,612,192	133,496,345
B. EXPENDITURES			
1. Certificated	54,958,051	55,177,883	55,398,595
2. Classified	36,580,795	36,650,083	37,053,234
3. Benefits	33,575,632	36,688,932	39,866,464
3a. H&W Costs	18,643,054	20,134,498	21,745,258
4. Books & Supplies	14,015,853	14,467,164	14,906,965
4a. Midyear Adjustments	11,845	-	-
4b. Surplus	6,080,877	-	-
5. Contracts & Services	45,622,910	47,091,968	48,523,564
6. Capital Outlay	1,037,690	1,071,103	1,103,665
7. Other Outgo	2,488,928	2,488,928	2,488,928
8. Direct Support/Indirect Costs	3,196,064	2,962,090	2,962,090
9. Interfund Transfers (Trnsf Out-In)	-	-	-
10. Contributions to Restricted Prog	(71,006,060)	(78,039,709)	(85,843,680)
Total Expenditures	145,205,639	138,692,940	138,205,083
C. Net Incr/Decr to Fund Balance	6,513,438	1,919,253	(4,708,737)

Qualification: The District can self-certify each interim as “Positive”, indicating that it will meet its obligations in the current year and two subsequent years; as “Qualified”, indicating that it may not meet its financial obligations for the current fiscal year or two subsequent fiscal years; or “Negative”, indicating that it will not meet its financial obligations for the current fiscal year or two subsequent years.

Our current financial condition is stable, all outstanding audit years are up to date and the restoration of our credit rating substantiate Staff’s recommendation to submit a “Qualified” Second Interim Report.