



To Board of Education

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Date May 27, 2020

Subject FY19/20 Third Interim Report

The Education Code requires school districts to prepare interim financial reports as of October 31 and January 31 of each fiscal year. An additional interim report is required for school districts certified as Qualified or Negative. The Third Interim Report for the General Fund as of April 30, 2020 is enclosed. Following are highlights of the significant changes that the OUSD has made in the operating budget since Second Interim and in the projection of revenues, expenditures and fund balance at June 30, 2020.

REVENUE

Revenue	Adopted Budget	Revised Budget (as of Sep 11, 2019)	First Interim Projected Year Totals	Second Interim Projected Year Totals	Third Interim Projected Year Totals	Change from Second Interim
LCFF	387,868,765	387,868,765	387,932,725	386,538,427	385,207,094	(1,331,333)
Federal Revenue	42,815,057	42,815,057	53,026,631	53,269,158	54,283,478	1,014,320
Other State Revenue	58,453,532	62,483,457	70,593,862	70,936,279	71,402,957	466,678
Other Local Revenue	78,496,196	77,889,586	72,471,197	76,941,410	79,328,913	2,387,503
	567,633,550	571,056,865	584,024,415	587,685,274	590,222,443	2,537,169

The OUSD’s projected total revenue has increased by about \$2.5 million from \$587.7 million to \$590.2 million since Second Interim. The increase is primarily due to:

1. Revisions to Local Control and Funding Formula (LCFF) Sources approximating (\$1.3 million)
2. Adjustments to State and Federal awards estimated at \$1.5 million, including \$1.0 million in Comprehensive Support and Improvement, (1.2 million) in MAA, \$0.7 million in K12 Strong Workforce, and \$0.6 million in new State COVID Relief Funds
3. Adjustments to local revenues approximating \$2.4 million, including \$0.9 million from Public, Educational, Governmental (PEG) Access, \$0.4 million from the City of Oakland for restricted routine maintenance, \$0.2 million from Oakland Fund for Children/Youth, and \$0.3 million in interest income

The adjustment to revenue from our Local Control Funding Formula (LCFF) Sources is noteworthy. Our LCFF projection continues to be based on estimated current year Average Daily Attendance. Our P2 Attendance Report reflects an attendance rate that is lower than our most recent averages, in part, because of the impact of the PGE power outages. The impact of the loss in ADA is a decrease of \$1.3 million in FY19/20 LCFF revenues projected as of Second Interim. Finally, please note that the District has submitted a Request for Allowance of Attendance Due to Emergency Conditions for about 30 ADA that would generate 0.3 million if approved.

	Adopted Budget	Revised Budget (as of Sep 11, 2019)	First Interim Projected Year Totals	Second Interim Projected Year Totals	Third Interim Projected Year Totals	Change from Second Interim
Enrollment (CBEDS)	35,666	35,666	36,045	36,110	36,110	0
Average Daily Attendance (ADA)						
<i>Projected</i>	34,049	34,049	34,327	34,029	33,897	(132)
<i>Funded</i>	34,049	34,049	34,327	34,029	33,897	(132)
Underserved Pupil Percentage (UPP)						
<i>Single Year</i>	77.0%	77.0%	72.8%	75.8%	75.8%	0.0%
<i>Three Year Average</i>	76.8%	76.8%	75.5%	76.5%	76.5%	0.0%
Attendance Rate	95.5%	95.5%	95.2%	94.2%	93.9%	-0.4%

EXPENDITURES

Expenditures	Adopted Budget	Revised Budget (as of Sep 11, 2019)	First Interim Projected Year Totals	Second Interim Projected Year Totals	Third Interim Projected Year Totals	Change from Second Interim
Salaries and Benefits	448,449,862	454,293,698	469,933,145	467,359,941	468,032,080	672,139
Books and Supplies	32,302,078	32,302,078	34,481,562	36,612,441	20,112,626	(16,499,815)
Services/Other Operating Expenditures	75,171,896	72,938,298	91,179,972	94,946,166	98,271,139	3,324,973
Capital Outlay	127,474	127,474	665,003	843,218	1,107,765	264,547
Other Outgo	11,091,021	11,091,021	11,364,389	11,364,391	11,364,388	(3)
	567,142,331	570,752,569	607,624,071	611,126,157	598,887,999	(12,238,158)

The OUSD's projected total expenditures have decreased by \$15.1 million from \$611.1 million to \$596.1 million primarily due to:

1. Decrease of \$18.9 million in supplies to align with prior year spending patterns in restricted resources. This is not a typical budget adjustment; the standard practice is to budget restricted revenues and expenditures to balance (i.e., to assume that budgets would be expended during the fiscal year, so that there would be no carryover balances). With this budget adjustment, the District can better forecast cash flow, which has become a very critical task with the apportionment deferrals proposed in the May Revise.
2. Approximately \$4.3 million increase in restricted expenditures due to revisions to State, Federal, and Local revenue estimates as detailed above in the Revenue section above
3. Multiple revisions to books/supplies and services/operating expenditures, including an increase of \$0.9 million for textbooks, an increase of \$1.6 million for computers, and a reduction in transportation costs of \$1.5 million
4. Approximately \$1.7 million increase in special education

Fund Balance

Currently, the combined general fund (restricted and unrestricted) ending fund balance is projected to be \$65.4 million. Of this, approximately \$12.0 million is designated for the 2% required reserve for economic uncertainties and \$6.0 million is designated for the 1% additional

reserve for economic uncertainties. The remaining fund balance is comprised of \$39.0 million in legally restricted funds (primarily parcel taxes), \$8.0 million for specific designations, and \$0.3 million unassigned. The unassigned portion will provide funding for new and/or unforeseen expenditures (e.g., negotiated compensation increases for employees, support for McClymonds), as well as provide a buffer for the impact of decreases in revenues (e.g., decreased attendance rates).

Multi-Year Projection

The multi-year projection (MYP) considers key financial indicators from federal, state and local sources and projects how those factors might impact the OUSD for the current and two subsequent years. Below are three categories of critical assumptions used in developing the MYP: Enrollment and Average Daily Attendance (ADA), Revenue, and Expenditures. Please note, FY18/19 data is included based on Unaudited Actuals to offer a year of actual data.

Our enrollment projections reflect the submission and certification of our CALPADS data. ADA projections have also been updated to reflect our P2 reporting period.

	FY18/19	FY19/20	FY20/21	FY21/22
Enrollment and Average Daily Attendance				
Enrollment (CBEDS)	36,468	36,110	35,765	35,552
Average Daily Attendance (ADA)				
Projected	32,631	33,897	33,717	33,517
Funded	34,274	33,897	33,717	33,517
Underserved Pupil Percentage (UPP)				
Single Year	76.2%	75.8%	76.5%	76.2%
Three Year Average	76.8%	76.5%	76.2%	76.2%
Attendance Rate	89.5%	93.9%	94.3%	94.3%

Revenue projections for LCFF Sources have been updated to reflect the Governor’s May Revise for FY20/21, including the estimated 14.5 million in Federal CARES Act dollars. Please note that in FY18/19, the Statutory COLA was actually 2.71% and was augmented by 0.99% for a total COLA of 3.7%.

Revenue	FY18/19	FY19/20	FY20/21	FY21/22
Statutory COLA *	3.70%	3.26%	2.31%	2.48%
Deficit Factor	-	-	7.92%	7.92%
Funded COLA	-	-	0.0%	0.0%
Federal COLA	0%	0%	0%	0%
Other State Funding	2.71%	3.26%	0.00%	0.00%

Expenditure projections have been updated with the release of the Governor’s May Revise in May 2020 to reflect inflationary increases, as well as the most recent estimates for STRS and PERS rates. As always, compensation increases are not included in our MYP until they have been ratified by the bargaining unit and approved by the Board. As of Third Interim, our MYP includes Board approved compensation increases for OEA, SEIU, BCTC, and CSEA.

Compensation increases for AFSCME, TEAMSTERS, and UAOS will be incorporated into our MYP once they have been ratified by their respective bargaining units and approved by the Board.

Expenditures	FY18/19	FY19/20	FY20/21	FY21/22
Step and Column Salary Increase	5.5M	5.5M	5.5M	5.5M
Special Education Contribution	58.7M	66.4M	69.7M	73.2M
Growth in Special Education Contribution	2.6M	7.7M	3.3M	3.5M
Central Kitchen Contribution	1.2M	-	2.5M	1.4M
Inflationary Increase - CPI	3.62%	2.06%	0.62%	1.73%
Indirect Cost Rate	3.98%	3.25%	5.56%	5.56%
CalPERS Rate	18.062%	19.721%	20.700%	22.840%
CalSTRS Rate	16.28%	17.10%	16.15%	16.02%

In March 2020, the Board took action to approve \$27.0 million in ongoing spending reductions, including \$6.0 million in reallocations and \$0.9 million in restricted resources, for a net impact of \$20.2 million in relief to the General Fund. With the release of the May Revise, the District projects the need for additional reductions in FY20/21 and FY21/22. These reductions are noted in the MYP and do not yet include new investments, such as new negotiated compensation increases, Special Education, Deferred Maintenance, or Asset Management. Staff is committed

to implementing the Board approved reductions with fidelity and bringing forward to the Board implementation plans for the FY21/22 strategies approved by the Board on March 4, 2020.

	FY2019	FY2020	FY2021	FY2022
REVENUES				
LCFF Sources	378,538,603	385,207,094	353,979,094	351,951,552
Federal Revenues	45,307,610	54,283,478	61,349,741	46,849,741
Other State Revenues	71,226,703	71,402,957	64,701,534	64,701,534
Other Local Revenues	90,844,010	79,328,913	79,328,913	79,328,913
Total Revenues	585,916,926	590,222,443	559,359,283	542,831,741
EXPENDITURES				
Salaries and Benefits	428,503,704	468,032,080	473,402,446	491,555,770
Books/Supplies & Outlay	26,186,358	21,220,391	15,767,725	16,021,342
Services & Operating Expenses	94,295,117	98,271,139	93,307,500	94,921,720
Other Outgo & Transfers	10,128,089	11,364,388	11,364,388	11,364,388
Total Expenditures	559,113,267	598,887,999	593,842,059	613,863,221
Other Sources/(Uses)	(5,540,736)	(621,977)	(621,977)	(621,977)
Net Inc/Dec in FB	21,262,923	(9,287,534)	(35,104,754)	(71,653,457)
BEGINNING BALANCE	56,587,855	71,245,993	65,443,556	30,338,803
Audit Adjustment	(6,604,785)	3,485,097	-	-
Adjusted Beginning Fund Balance	49,983,070	74,731,090	65,443,556	30,338,803
ENDING BALANCE	71,245,993	65,443,556	30,338,803	(41,314,655)
COMPONENTS OF THE ENDING FUND BALANCE				
Cash/Stores/Prepaid	289,029	150,000	150,000	150,000
Legally Restricted	40,683,996	38,964,466	39,525,041	36,030,612
Assignments				
Health & Welfare	-	4,001,789	4,001,789	4,001,789
Charter Leases	2,283,187	2,283,187	2,283,187	2,283,187
Stale Dated Warrants	1,588,260	1,681,497	1,681,497	1,681,497
ECE Rental	32,254	70,374	70,374	70,374
Contribution - Central Kitchen	-	-	2,500,000	3,900,000
Other Assignments	1,028,379	-	-	-
Spending Reductions - FY21 - Approved	-	-	(20,171,065)	(40,342,130)
Spending Reductions - FY21 - Additional	-	-	(16,500,000)	(33,000,000)
Spending Reductions - FY22	-	-	-	(39,800,000)
Reserve for Economic Uncertainties	5,650,465	5,993,377	4,547,281	6,147,493
Reserve for Economic Uncertainties	11,300,930	11,995,481	11,894,562	12,294,985
Unassigned	8,389,494	303,385	356,137	5,267,538

Cash Flow

We have adjusted our forecast and project positive cash balances for all months. Cash flow for projected months (May 2020 through June 2020) are based on Federal, State and Local cash payment schedules and prior year actuals and reflect the May Revise deferrals.

To have sufficient cash on hand to meet our financial obligations, our cash flow includes a \$30.0 million loan from the County Treasury received in October and scheduled for repayment in April. State funding is apportioned over twelve uneven payments, and the temporary borrowing helps smoothen our cash flow to ensure the OUSD can meet its cash needs for the fiscal year.

Our lowest cash balance was in November at \$5.6 million and we expect to end the year with a positive cash balance of \$11.0 million in June 2020.

Major General Fund Revenue and Expenditure Categories

The OUSD use the state's standardized object codes to classify their General Fund revenues and expenditures. The following represent the main categories into which both are placed.

REVENUES

Local Control Funding Formula (LCFF) (8010–8099): includes LCFF, Education Protection Account plus other Prior Year Adjustments.

Federal Revenues (8100–8299): includes all money received for Title I, Title II, etc. plus Special Education and other federal programs.

Other State Revenues (8300–8599): includes lottery and state allocation (e.g., California Clean Energy Jobs Act, Special Education).

Local Revenues (8600–8799): includes interest, donations and reimbursements, rents and leases, and other local sources.

EXPENDITURES

Certificated Salaries (1000–1999): includes teachers, certified pupil support, certified supervisors and administrators, etc.

Classified Salaries (2000–2999): includes instructional assistants, athletics staff, clerical and office, maintenance staff, classified supervisors and administrators, etc.

Employee Benefits (3000–3999): includes Health and Welfare, Worker’s Compensation, and other employee benefits.

Books and Supplies (4000–4999): includes approved textbooks and core curricula material, books and other reference materials, materials and supplies, etc.

Services and Other Operating Expenses (5000–5999): includes non-public school services/non-public agency services, audit, legal fees, travel and conferences, dues and memberships, field trips, housekeeping services, licenses, rentals, leases, and repairs.

Capital Outlay (6000–6599): most commonly refers to site improvements, equipment, and equipment replacement.

Other Outgo (7100–7299): includes payments to districts, and payments to county offices.

Direct Support/Indirect Costs (7400–7499): used to record transfers of direct support and indirect costs within or between funds