



*Action Item*

TO: Board of Trustees and Superintendent of Schools

PREPARED  
and PRESENTED BY: Patsy Thomas, Director Fiscal Services &  
Jeffrey Weinstein, Assistant Superintendent Business Services

BOARD AGENDA ITEM: Consideration of Approval of the First Interim, Fiscal Year 2018-19

BOARD MEETING DATE: December 12, 2018

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**BACKGROUND:**

Education Code sections 42130 and 42131, as amended by AB 1200, require each district superintendent to prepare and submit interim financial reports to the governing board so the governing board may certify to the County Superintendent of Schools the district's ability to meet its financial obligations for the current and two subsequent fiscal years.

**ADMINISTRATIVE DISCUSSION:**

The 2018-19 First Interim Report includes fiscal activity in the District through October 31, 2018. Administration will review the First Interim Report for 2018-19, present the District's Multi-Year Projection for financial planning at the December 12, 2018 meeting, and fiscal actions as a result of internal and external variables affecting the District's financial performance since the approval of the Adopted Budget on June 20<sup>th</sup>, 2018.

**FISCAL IMPLICATIONS:**

Although the First Interim Report for 2018-19 projects the District will continue to deficit spend in the current fiscal year, multiple actions have been taken to reduce amount of the deficit but will not be reflected until the Second Interim Report. The District's Multi-Year Projection shows the structural deficit dissipates over the next two years with a slight surplus projected for 2019-20 and 2020-2021.

**RECOMMENDATION:**

It is the recommendation of the District administration that the Board of Trustees approve the 2018-19 First Interim Financial Report as presented.



## 2018-19 First Interim

The First Interim is based on current budget information which contains information related to the final Adopted Budget for 2018-19, which was signed by Governor Brown on June 27, 2018. A new Governor will take office in January 2019 and based on the common message from the Business and Administration Steering Committee (BASC), LEA's should take caution regarding commitments to LCFF and discretionary funding until the Governor reveals his priorities. Changes include the increase of .7% on the LCFF base grant and decrease of One Time Discretionary Funds from \$344 per ADA at the May Revise to \$184 at the Adoption of the State Budget.

The District administration will continue to work with the Board of Trustees on maintaining a balanced budget and long-term financial stability.

### Comments and Changes

- For the readers understanding of the various SACS reports, it is important to look at the headings, especially if they indicate unrestricted or restricted resources. The California School Accounting Manual (CSAM) prescribes certain accounting principles and practices specific to unrestricted and restricted programs/funding. Some of the reports combine unrestricted and restricted accounts and they are so labeled.
- The projected Reserve for Economic Uncertainties (REU), in Form 01 on page 2 under Projected Year Totals, amounts to \$6,514,322 which is 3% of total budgeted expenditures and other outgo.
- Board Policy 3100 establishes a minimum reserve for economic uncertainty (REU) in the range of 3 – 5%. For clarity, 5% is not the maximum, but rather the upper end of the minimum range.
- Other Funds, Forms 11-73, are reported in the documentation for the First Interim Report. They include Adult Education, Cafeteria, Building, Capital Facilities, and Foundation Trust. **All these Other Funds are in a solvent budgeted status as of First Interim.**
- **The First Interim Report of Average Daily Attendance, Form A, reflects the current ongoing district wide ADA/Enrollment status. We have conservatively projected our numbers based on prior year P2 ADA.**
- The actual and estimated cash flows, Form CASH, indicate the District will end the fiscal year in a positive cash position.
- **The report of Criteria and Standards, Form 01CS, for the First Interim Report indicates the County Superintendent of Schools to approve the District's First Interim Financial Statement, once considered and approved by the Board of Trustees.**

## Revenue Summary

**Total Projected Revenues in 2018-19**    \$207,535,513

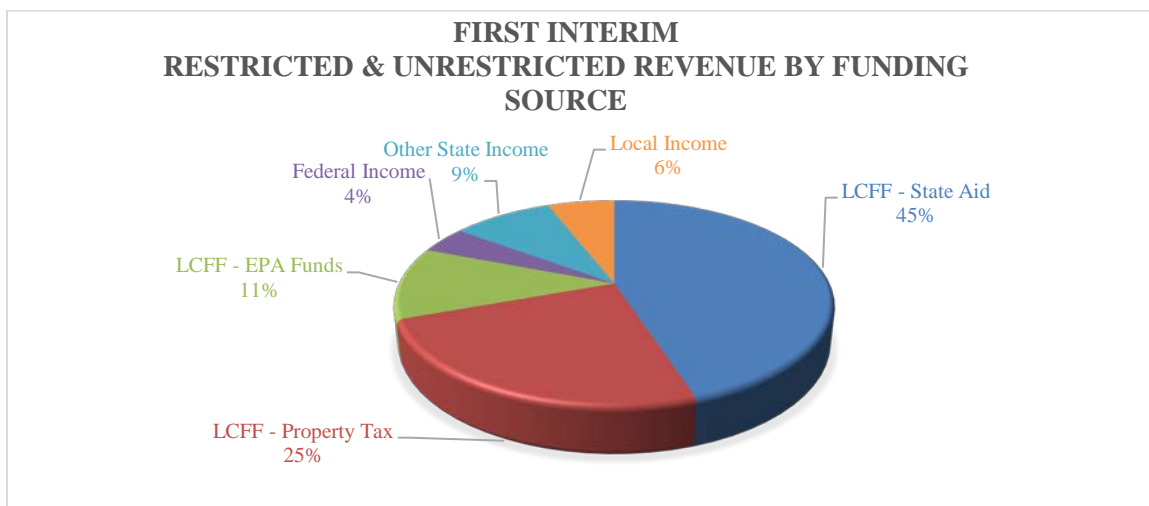
**LCFF Revenue:** The District projects a decrease in LCFF revenues of **(\$1,815,707)** from \$171,874,774 in the adopted budget to \$170,059,067 in 2018-19 is due to the **reduction in projected enrollment of 178 ADA, reduction of unduplicated students, and only a .7% increase in COLA.** The reduction is due to the number of English Language students being reclassified and a reduction in Free and Reduced eligibility which may be a result of the implementation of the Community Education Program (CEP) where all OUHSD students are eligible for free breakfast and lunch and are not required to complete an eligibility form. The Site and DO Administration are working together to increase these numbers.

**Federal Revenue:** The District projects an increase in Federal revenues of \$483,330 from \$8,101,527 in the adopted budget to \$8,584,857 in 2018-19 is due to increased allocations in SPED IDEA, Title I and Carl Perkins funding. Also included in the increase is prior year carryover in Title I, Title II and National Park Service. This was offset by reductions in Title III Immigrant and LEP funding.

**Other State Revenue:** **The District projects a decrease of (\$5,764,311)** in Other State revenue from \$23,097,724 in the adopted budget to \$17,333,413 in 2018-19 due to a duplicated statement in budgeting \$3,391,729 in Prop. 39 revenue which should have been carryover in the fund balance and the reduction of **\$2,488,342 in One Time** Discretionary fund which the Governor reduced from \$344 per ADA to \$184 per ADA after the district budget was submitted. The balance of \$115,760 was due to carryover funds and revenue for Mental Health and new funding Scale Up.

**Other Local Revenue:** The District projects an increase in Other Local revenue of \$509,584 from \$11,048,592 in the adopted budget to \$11,558,176 in 2018-19 due to budgeting for ASB reimbursable revenue which is offset by the expenditures, carryover donations, increased reimbursable LCI Out of Home Care and excess cost reimbursement.

Revenue	2018-19 Adopted Budget	2018-19 First Interim	Changes
LCFF Entitlement	\$171,874,774	\$170,059,067	<i>(\$1,815,707)</i>
Federal Revenue	8,101,527	8,584,857	483,330
Other State Revenue	23,097,724	17,333,413	<i>(5,764,311)</i>
Local Revenue	11,048,592	11,558,176	509,584
<b>Total</b>	<b>\$214,122,617</b>	<b>\$207,535,513</b>	<b><i>(\$6,587,104)</i></b>



## Expenditure Summary

Total Projected Expenditures in 2018-19                      \$217,144,039

**Certificated Salary:** The District projects an increase of \$1,317,283 from \$84,709,553 in the adopted budget to \$86,026,836 in 2018-19 due to an increase of 17.8 FTE which includes 10.6 FTE LCAP paid certificated positions, 5.6 FTE SPED teachers, 1.0 FTE sabbatical, and .60 FTE counselor. Reallocation of hourly salaries to cover negative line item budgets. Budgeting of carryover in restricted programs and unanticipated summer school costs.

**Classified Salary:** The District projects an increase of \$210,717 from \$26,960,622 in the adopted budget to \$27,171,339 in 2018-19 due to an increase of 11.25 FTE in Special Education 1:1 paraeducators, ASB reimbursable salaries, Speech Language Assistant, Migrant Guidance Technician salaries being reallocated to Title I which was offset by decreases in replacement for retired or resigned clerical staff and the elimination of 1.5 FTE for enrichment assistants.

**Benefits:** The District projects an increase of \$881,730 from \$66,309,640 in the adopted budget to \$67,191,370 in 2018-19 due to additional FTE and budgeted hourly. This was offset by a decrease in retiree health benefits due to changes in plans and loss of retirees.

**Books and Supplies:** The District projects an increase of \$1,371,479 from \$7,507,093 in the adopted budget to \$8,878,572 in 2018-19 due to budgeting for carryover in categorical programs and unrestricted lottery. The reallocation of budget from object 5xxx to 4xxx to cover negative balances.

**Services & Other Operating:** The District projects a decrease of (\$560,749) from \$20,434,272 in adopted budget to \$19,873,523 in 2018-19 due to a reduction in estimated costs for resource officers, reduction to offset the reduction in supplemental/concentration funding and reallocation of budgets to clear negative balances.

**Capital Outlay:** The District projects a decrease of (\$46,161) from \$4,535,679 in adopted budget to \$4,489,518 in 2018-19 due to reallocation of budget to clear negative balances.

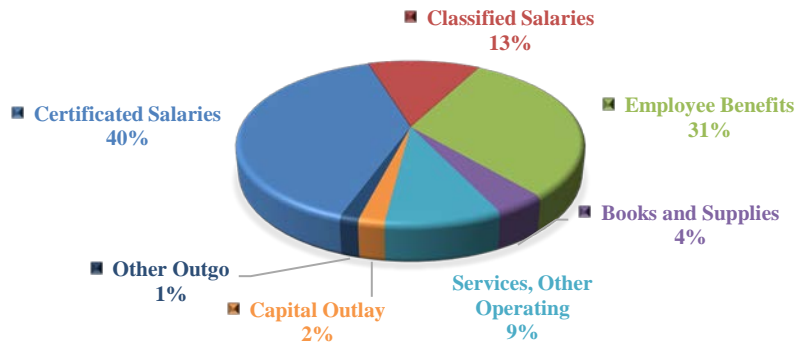
**Other Outgo-Excess Costs:** The District projects an increase of \$52,127 from \$3,661,450 in adopted budget to \$3,713,577 in 2018-19 due to increased estimated costs for Special Education transportation.

**Other Outgo-Indirect:** The District projects an increase of \$14,411 from \$461,875 in adopted budget to \$476,286 in 2018-19 due to budgeting for categorical allocation increases and carryover which is offset by the decrease in supplemental/concentration indirect that was used to offset the reduction in revenue.

**Transfers Out:** The District projects and increase of \$200,514 from \$75,076 in adopted budget to \$275,590 in 2018-19 due to budgeting for the contribution to Oxnard #8 in the 2017-18 unaudited actuals and increase in classroom unit cost for the GED program that is transferred to Adult Education.

Expenditures	2018-19 Adopted Budget	2018-19 First Interim	<i>Changes</i>
Certificated Salaries	\$84,709,553	\$86,026,836	\$1,317,283
Classified Salaries	26,960,622	27,171,339	210,717
Employee Benefits	66,309,640	67,191,370	881,730
Books and Supplies	7,507,093	8,878,572	1,371,479
Services, Other Operating	20,434,272	19,873,523	(560,749)
Capital Outlay	4,535,679	4,489,518	(46,161)
Other Outgo	3,199,575	3,237,291	37,716
<b>Total Expenditures</b>	<b>\$213,656,434</b>	<b>\$216,868,449</b>	<b>\$3,212,015</b>

**FIRST INTERIM EXPENDITURES RESTRICTED & UNRESTRICTED**



**OUHSD BUDGET REDUCTION PLAN**

	<b>OUHSD Adopted Budget</b>
<b>Anticipated Ending Income</b>	<b>\$391,107.00</b>
<b>MAJOR REVENUE CHANGES</b>	First Interim
Decrease in anticipated enrollment	(1,815,707.00)
Duplication of Prop 39 funding	(3,391,279.00)
<u>One Time funds reduction</u>	<u>(2,488,342.00)</u>
<b>Subtotal of Decreased Revenue</b>	<b>(7,695,328.00)</b>
<b>MAJOR EXPENSE CHANGES</b>	First Interim
Certificated FTE Increase	\$ (1,317,283.00)
Classified FTE Increase	\$ (210,717.00)
<u>Increase in Benefit Costs</u>	<u>\$ (881,730.00)</u>
<b>Subtotal of Increased Expenses</b>	<b>\$ (2,409,730.00)</b>
<b>Projected Ending Balance Before Actions</b>	<b>\$ (9,608,526.00)</b>

**OUHSD  
REVENUE  
First Interim**

**Projected Ending Balance Before Actions (9,608,526.00)**

**IDENTIFIED COST REDUCTIONS FOR 2nd INTERIM**

Decrease LCAP Budget to match income	\$1,885,415.00
Reduction of 2018/19 Prop 39 expenses	3,082,000.00
10% reduction in Department and Site Budgets	184,000.00
Reduction in Consultants and Vendor Services	284,000.00
Potential Other Savings Identified	2,250,000.00
Reduction of overtime/additional hrs.	150,000.00

**Subtotal of Fiscal Actions \$ 7,835,415.00**

**Projected Ending Balance After Actions \$(1,773,111.00)**

**ADDITIONAL FISCAL ACTIONS NEEDED \$ 1,800,000.00**

### Contributions to Restricted Programs Summary

The table below shows the contributions to support restricted programs. The increase to Special Education is due to 11.25 new Paraeducator positions and increase in transportation costs.

	2018-19 Adopted Budget	2018-19 First Interim	<i>Changes</i>
Special Education	5,863,078	6,460,578	597,500
Routine Restricted Maintenance	4,576,231	4,576,231	0
<b>Total Support</b>	<b>\$ 10,439,309</b>	<b>\$ 11,036,809</b>	<b>\$ 597,500</b>

### Ending Fund Balance Summary

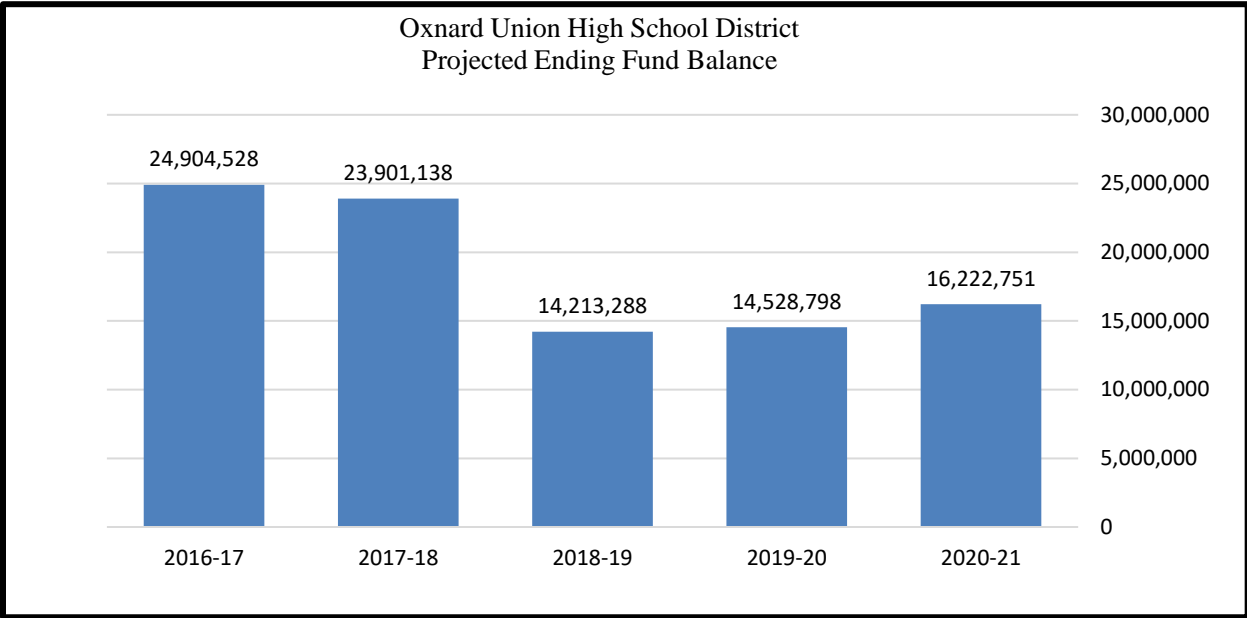
Historically, actual year-end ending balances are more favorable than those forecasted during the fiscal year. Due to the decrease in income and increase in expenses after Adopted Budget, Fiscal Services has engaged in a cost cutting efforts that will assist in a higher ending balance. While there is no assurance that the district will realize a higher ending balance as the year progresses, it is a possibility because of the district's conservative approach to budget development and initiated cost cutting measures.

The components of the Ending Balance as reflected in the schedules below, include a reserve for economic uncertainties, reserves for warehouse stores inventory, revolving funds, audit adjustment, assigned and undesignated balance.

Since the Adopted Budget, the ending balance increased \$6,058,004. The actual beginning balance was more than projected at adopted. Carryover, one-time funds, and unspent budget attributed to the increase in the ending fund balance.

	2018-19 Adopted Budget	2018-19 First Interim	Changes
Beginning Balance	\$ 17,843,138	\$ 23,901,142	\$ 6,058,004
Audit Adjustment		(79,328)	(79,328)
Operating Surplus (Deficit)	391,107	(9,608,526)	(9,999,633)
Ending Balance	18,234,245	14,213,288	(4,020,957)
Reserve for Economic Uncertainties	6,411,946	6,514,322	102,376
Revolving Cash Fund and Stores	210,000	210,000	0
Assigned	491,000	2,906,000	2,415,000
Total Reserves and Designations	7,112,946	9,630,322	2,517,376
<b>Undesignated Balance</b>	<b>11,121,299</b>	<b>4,582,966</b>	<b>(6,538,333)</b>
Ending Balance	\$ 18,234,245	\$ 14,213,288	\$(4,020,957)

Assigned	2018-19 Adopted Budget	2018-19 First Interim	Changes
Prop 39 Energy Savings	\$91,000	\$91,000	\$0
Oxnard #8 Start Up Contribution	400,000	0	(400,000)
2017-18 Summer School Savings	0	809,706	809,706
Unallocated Unit Share	0	2,005,294	2,005,294
<b>Total Assigned</b>	<b>\$491,000</b>	<b>\$2,906,000</b>	<b>\$2,415,000</b>



### Multi Year Projection

The multiple year projection, Form MYP1 for both unrestricted and restricted funds, document that the District will be able to meet Board Policy 3100 and the specified future year’s obligations for 2019-20 and 2020-21. District administration will be working with the Board of Trustees after the Governor’s 2019-20 Budget is released in January 2019. Budget plans, with appropriate contingencies, will be developed to ensure that the district maintains financial stability.

	2018-19	2019-20	2020-21
Revenues & Other Financing Sources	207,535,513	208,107,159	212,495,143
Expenditures & Other Financing Uses	217,144,039	207,791,649	210,801,190
Net Increase (Decrease) to Fund Balance	(9,608,526)	315,510	1,693,953
Beginning Fund Balance	23,821,814	14,213,288	14,528,798
Ending Fund Balance	14,213,288	14,528,798	16,222,751
Revolving Cash & Stores	210,000	210,000	210,000
Reserves	7,488,966	8,085,048	9,688,715
Reserve for Economic Uncertainties of 3%	6,514,322	6,233,750	6,324,036
Estimated Reserve %	6.55%	6.99%	7.70%

	2018-19		2019-20		2020-21	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Revenues & Other Financing Sources	168,910,150	38,625,363	170,521,339	37,585,820	174,576,191	37,918,952
Expenditures & Other Financing Uses	174,046,726	43,097,313	170,205,829	37,585,820	172,882,238	37,918,952
Net Increase (Decrease) to Fund Balance	(5,136,576)	(4,471,950)	315,510	0	1,693,953	0
Beginning Fund Balance	19,349,864	4,471,950	14,213,288		14,528,798	
Ending Fund Balance	14,213,288	0	14,528,798	0	16,222,751	0



## Enrollment/ADA History

The district primarily earns income through enrollment converted to Average Daily Attendance (ADA). Enrollment is simply the number of students enrolled in our schools. ADA is the Average Daily Attendance of those enrolled students.

Fiscal Year	2013-14 Actual	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Projected	2019-20 Projected	2020-21 Projected
CBEDS Enrollment	16,121	16,412	16,516	16,634	16,662	16,679	16,829	16,905
County Operated SPED	34	39	46	39	52	52	52	52
Total Enrollment	16,155	16,451	16,562	16,673	16,714	16,731	16,881	16,957
P2 ADA	15,087.98	15,334.56	15,391.85	15,524.05	15,549.22	15,599.49	15,669.16	15,739.14
ADA/CBEDS Ratio	93.40%	93.21%	92.93%	93.11%	93.03%	93.24%	92.82%	92.82%

## Summary of Other Funds

Other Funds	Adult Education <b>110</b>	Cafeteria <b>130</b>	Measure H <b>214</b>	Measure A <b>215</b>	Developer Fees <b>250</b>	Capital Facilities RDA <b>251</b>
Total Revenue	3,996,727	6,626,389	352,591	2,000,000	1,852,452	1,722,394
Total Expenditures	4,021,587	6,791,861	4,862,500	31,342,500	370,600	3,479,339
Excess/ (Deficiency)	(24,860)	(165,472)	(4,509,909)	(29,342,500)	1,481,852	(1,756,945)
Other Financing Sources	9,007	0	0	129,342,500	0	66,583
Net Inc/(Dec) to Fund Balance	(15,853)	(165,472)	(4,509,909)	100,000,000	1,481,852	(1,690,362)
Beginning Balance	15,853	165,472	26,148,892	0	6,761,374	9,029,662
Ending Balance	0	0	21,638,983	100,000,000	8,243,226	7,339,300

Other Funds	COP's	Oxnard #8 Start Up	Relocation DO	Bond Interest & Redemption 1996 Measure Q	Bond Interest & Redemption 2004 Measure H	Bond Interest & Redemption 2018 Measure A	Scholarships
	401	409	410	510	514	515	730
Total Revenue	17,500	2,605	0	3,366,343	5,202,622	10,799,985	1,595
Total Expenditures	0	0	0	3,801,420	9,150,912	1,000,711	1,000
Excess/ (Deficiency)	17,500	2,605	0	(435,077)	(3,948,290)	9,799,274	595
Other Financing Sources	0	200,000	0	0	0	0	0
Net Inc/(Dec) to Fund Balance	17,500	202,605	0	(435,077)	(3,948,290)	9,799,274	595
Beginning Balance	1,672,935	204,998	0	3,783,041	10,514,758	0	59,471
Ending Balance	1,690,435	407,603	0	3,347,964	6,566,468	9,799,274	60,066

**Fund 110** - The Adult Education Fund projects to have a balanced budget without a contribution from the General Fund.

**Fund 130** - The Cafeteria Fund projects to have a balanced budget without a contribution from the General Fund

**Fund 214** - The Building Fund (Measure H) proceeds have been targeted to be used for a new high school in the Oxnard area. Funds may also be used on other facility improvements as per the ballot initiative language

**Fund 215** - The Building Fund (Measure A) proceeds have been targeted to be used for a new high school in the Oxnard area, improve/repair all high schools and adult school.

**Fund 250** - Capital Facilities Fund - Developer Fees is supported by developer fees and is restricted to the construction or reconstruction of facilities related to the growth generated by development.

**Fund 251** - Capital Facilities Fund - Redevelopment Fund/Other is supported by funds received from the dissolution of Redevelopment Agencies in 2012. Redevelopment funds come with fewer restrictions as to how the fund may be expended. Land lease is also recorded in this fund.

**Fund 401-410** - The Special Reserve Fund for Capital Outlay Projects - are to be used for the Oxnard Growth High School Startup funds (Fund 408), COPs/Debt Service (Fund 401) and to record the receipt of revenue for the sale of district property and expense incurred for the relocation of the district office.

**Fund 510, 514 & 515** - Bond Interest and Redemption Fund - account for the receipt of property taxes to repay the principal and interest on the General Obligation Bond debt service. This fund is restricted in use and cannot be used to pay General Fund expenditures.

**Fund 730** - Foundation Private-Purpose Trust Fund is used for scholarship funds established with public donations.

## Recommendation

The staff recommendation is to approve the 2018-19 First Interim Report and therefore certify to the County Superintendent of Schools that the Oxnard Union High School District will have a minimum Reserve for Economic Uncertainties of 3%; a positive cash balance as of June 30, 2019; will be able to meet current fiscal year obligations; and will be able to meet future years' financial obligations 2019-20 and 2020-21.