



Action Item

TO: Board of Trustees and Superintendent of Schools

PREPARED BY: Patsy Thomas, Director Fiscal Services

PRESENTED BY: Jeffrey Weinstein, Assistant Superintendent Business Services

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

BOARD MEETING DATE: March 13, 2019

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 Second Interim Report includes budget activity in the District through January 31, 2019. Administration will review the Second Interim Report for 2018-19 and present the District's Multi-Year Projection for financial planning at the March 13, 2019 meeting.

FISCAL IMPLICATIONS:

The Second Interim Report for 2018-19 projects the District will deficit spend \$5,472,036 in the current fiscal year which is partially due to the 1% On and Off Schedule salary increase. Administration is currently working to reduce the deficit before the close of the 2018-19 fiscal year.

RECOMMENDATION:

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



2018-19 Second Interim

The Second Interim is based on current information which includes the Local Control Funding Formula (LCFF).

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 \$6,595,157 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 Second 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 the Second Interim.
- The Second 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 Second Interim Report indicates the County Superintendent of Schools to approve the District's Second Interim Financial Statement, once considered and approved by the Board of Trustees.

Revenue Summary

Total Projected Revenues \$214,366,514

LCFF Revenue: The District projects an increase in LCFF revenues of \$903,813 from \$170,059,067 in the First Interim to \$170,962,880 in the Second Interim. This is due to increases in the certified enrollment and unduplicated student count. The increase in enrollment projects the P-2 ADA to increase by 21.68. The certified CALPADS unduplicated student counts increased 263. The increase was in Free/Reduced unduplicated students with a decrease due to reclassification of English Language Learners.

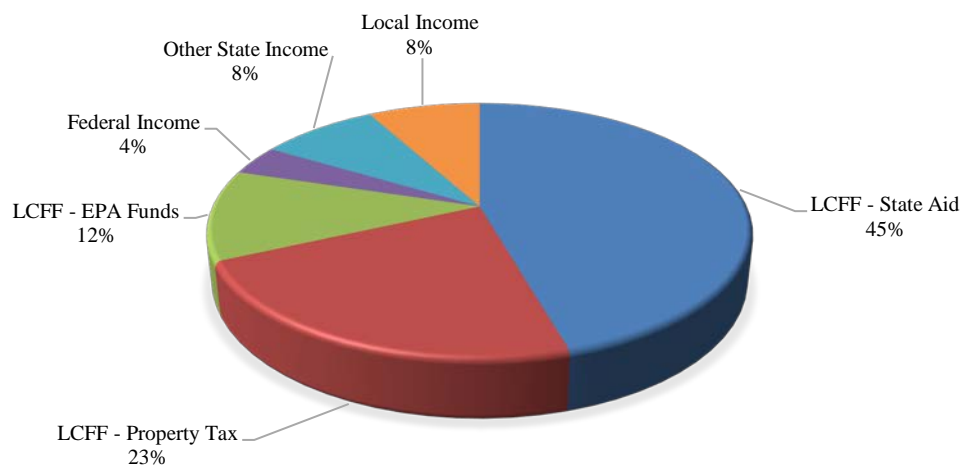
Federal Revenue: The District projects a decrease in Federal revenues of \$(435,115) from \$8,584,857 in the First Interim to \$8,149,742 in the Second Interim. The decrease is due to the correction to the Title I allocation and the reduction of Migrant Funds was due to the County Office Region 17 Migrant Education Program (MEP) reducing the allocation by 50%. The County Office Region 17 Migrant Education Program is moving towards the elimination of the LEA funding and all programs will be provided by the county regional office.

Other State Revenue: The District projects an increase of \$768,419 in Other State revenue from \$17,333,413 in the First Interim to \$18,101,832 in the Second Interim. The increase is due to two new programs, Classified School Employee Professional Development and Low Performing Student Block Grant and increase in Lottery funds due to increase in per ADA rate.

Other Local Revenue: The District projects an increase in Other Local revenue of \$\$5,593,884 from \$11,558,176 in the First Interim to \$17,152,060 in the Second Interim. The decrease is due to the reduction in summer school reimbursement and is offset by increases in revenue for reimbursable expenses and the transfer of \$5.8m from the Coastal Schools Employee Benefits Organization (CSEBO) reserve that will be used to offset retiree benefits.

Revenue	2018-19 Adopted Budget	2018-19 First Interim	2018-19 Second Interim	Change
LCFF Entitlement	\$171,874,774	\$170,059,067	\$170,962,880	\$903,813
Federal Revenue	8,101,527	8,584,857	8,149,742	(435,115)
Other State Revenue	23,097,724	17,333,413	18,101,832	768,419
Local Revenue	11,048,592	11,558,176	17,152,060	5,593,884
Total	\$214,122,617	\$207,535,513	\$214,366,514	\$6,831,001

SECOND INTERIM RESTRICTED & UNRESTRICTED REVENUE BY FUNDING SOURCE



Expenditure Summary

Total Projected Expenditures \$219,562,960

Certificated Salary: The District projects an increase of \$2,265,844 from \$86,026,836 in the First Interim to \$88,292,680 in the Second Interim. The increase is due to the 1% on and off schedule raise and the adjustment in summer school budget to actuals.

Classified Salary: The District projects a decrease of \$(748,994) from \$27,171,339 in the First Interim to \$26,422,345 in the Second Interim. The decrease is due to the elimination of vacancies and summer school budgeting to actuals which was offset by the 1% on and off schedule.

Benefits: The District projects a decrease of \$(377,457) from \$67,191,370 in the First Interim to \$66,813,913 in the Second Interim. The decrease is due to salary adjustments and budgeting health and welfare to actuals.

Books and Supplies: The District projects a decrease of \$(457,335) from \$8,878,572 in the First Interim to \$8,421,237 in the Second Interim. The decrease is due to the reallocation of budget from objects 5xxx to 4xxx to cover negative balances.

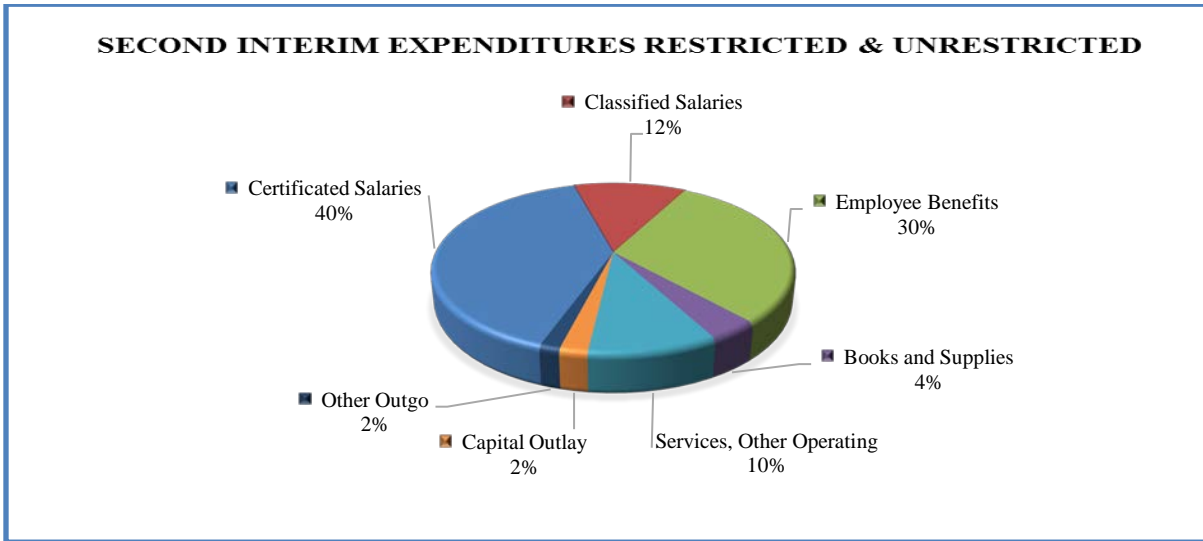
Services & Other Operating: The District projects an increase of \$1,675,976 from \$19,873,523 in the First Interim to \$21,549,499 in the Second Interim. The increase is due to the loss of mental health funds previously provided by SELPA, increase in NPS/LCI enrollment at Casa Pacifica, budgeting for Classified Employee Professional Development and Low Performing Student Block Grant.

Capital Outlay: The District projects an increase of \$196,646 from \$4,489,518 in the First Interim to \$4,686,164 in the Second Interim. The increase is due to the additional consultant and building costs at various sites paid with Routine Restricted Maintenance Account. This increase is offset by decreases in objects 4xxx and 5xxx.

Other Outgo-Excess Costs: The District projects an increase of \$141,151 from \$3,713,577 in the First Interim to \$3,854,728 in the Second Interim. This is due to the increase in Special Education transportation, excess cost, Triton Academy, and County Operated Schools transfer due to the updated LCFF calculation.

Other Outgo-Indirect: The District projects an increase of \$(1,320) from \$(476,286) in the First Interim to \$(477,606) in the Second Interim. This is due to the reduction in funding allocations offset by the increase for new funding.

Expenditures	2018-19 Adopted Budget	2018-19 First Interim	2018-19 Second Interim	Changes
Certificated Salaries	\$84,709,553	\$86,026,836	\$88,292,680	\$2,265,844
Classified Salaries	26,960,622	27,171,339	26,422,345	(\$748,994)
Employee Benefits	66,309,640	67,191,370	66,813,913	(\$377,457)
Books and Supplies	7,507,093	8,878,572	8,421,237	(\$457,335)
Services, Other Operating	20,434,272	19,873,523	21,549,499	\$1,675,976
Capital Outlay	4,535,679	4,489,518	4,686,164	\$196,646
Other Outgo	3,199,575	3,237,291	3,377,122	\$139,831
Total Expenditures	\$213,656,434	\$216,868,449	\$219,562,960	\$2,694,511



Contributions to Restricted Programs Summary

The table below shows the contributions to support restricted programs. The District projects an increase of \$1,207,862 from \$11,036,809 in the First Interim to \$12,244,671 in the Second Interim. This is due to increase costs in Special Education for behavioral services previously provided by SELPA, health care nurses, excess costs, and Triton Academy. The increase also includes transfers from federal programs to the general fund that were disallowed in the Federal Program Monitoring (FPM) audit. The items disallowed from fiscal year 2017-18 included the transfer from Title III into School Wide Program, this transfer is no longer allowed, the salary and benefits for the Director Instructional Support Services, and ACSA dues that were paid from Title II and Title III funds.

	2018-19 Adopted Budget	2018-19 First Interim	2018-19 Second Interim	<i>Changes</i>
Special Ed	5,863,078	6,460,578	7,373,032	912,454
Routine Restricted Maintenance	4,576,231	4,576,231	4,576,231	0
Title II, Part A, Supporting Effective Instruction			192,829	192,829
Title III, English Learner Student Program			102,579	102,579
Total Support	10,439,309	11,036,809	12,244,671	1,207,862

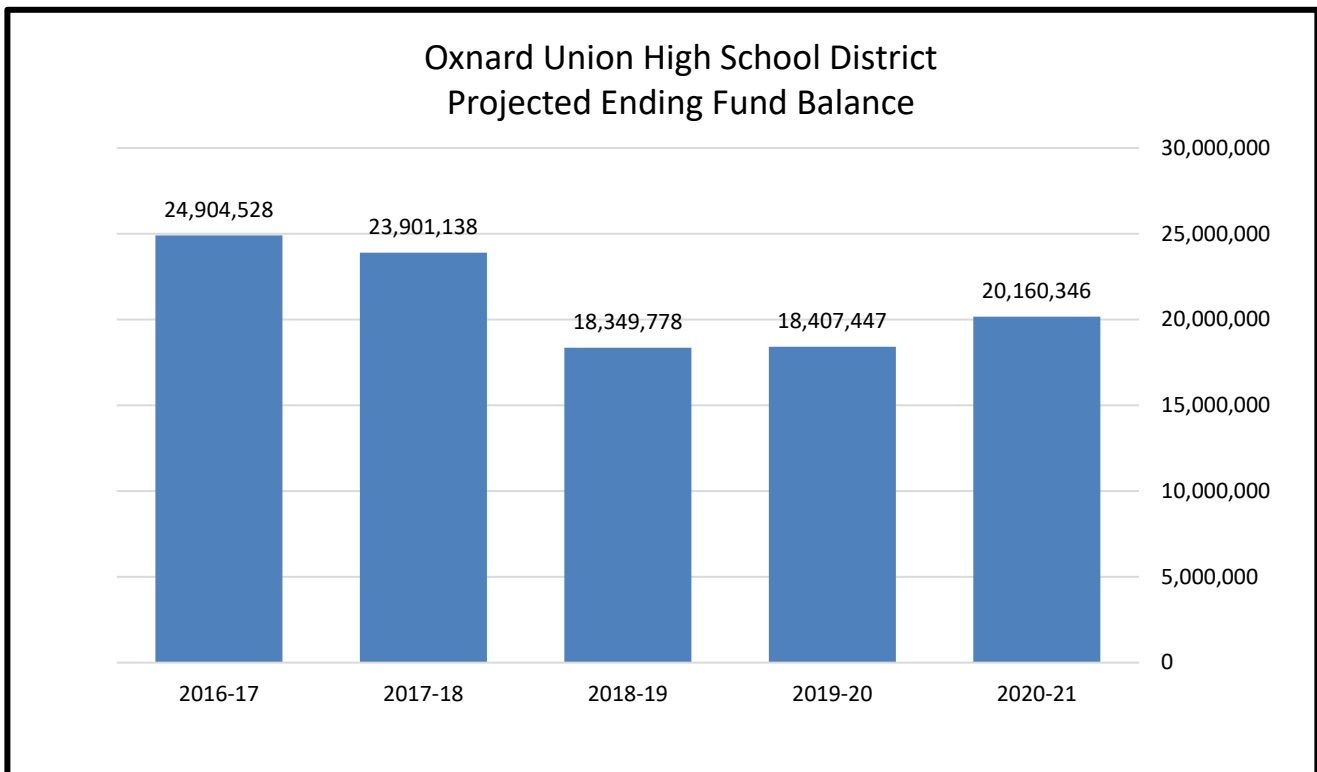
Ending Fund Balance Summary

Historically, actual year-end ending balances are more favorable than those forecasted during the fiscal year. Due to the increase in expenses after First Interim, 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 First Interim, the ending balance increased \$4,136,490. This is mainly due to the transfer of (Coastal School Employee Benefits Organization) CSEBO reserves.

	2018-19 Adopted Budget	2018-19 First Interim	2018-19 Second Interim	Changes
Beginning Balance	\$ 17,843,138	\$ 23,901,142	\$ 23,901,142	\$ -
Audit Adjustment		(79,328)	(79,328)	0
Operating Surplus (Deficit)	391,107	(9,608,526)	(5,472,036)	4,136,490
Ending Balance	18,234,245	14,213,288	18,349,778	4,136,490
Reserve for Economic Uncertainties	6,411,946	6,514,322	6,595,157	80,835
Revolving Cash Fund and Stores	210,000	210,000	210,000	0
Assigned				
<i>Prop 39 Energy Savings</i>	91,000	91,000	91,000	0
<i>Oxnard #8 Contribution</i>	400,000	0	0	0
<i>2017-18 Summer School Savings</i>	0	809,706	809,706	0
<i>Unallocated Unit Share</i>	0	2,005,294	1,101,015	(904,279)
<i>CSEBO Reserve - Retiree Benefits</i>	0	0	3,064,095	3,064,095
Total Reserves and Designations	7,112,946	9,630,322	11,870,973	2,240,651
Undesignated Balance	11,121,299	4,582,966	6,478,805	1,895,839
Ending Balance	\$ 18,234,245	\$ 14,213,288	\$ 18,349,778	\$ 4,136,490



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 on budget plans that have appropriate contingencies, to be developed to ensure that the district maintains financial stability.

	2018-19	2019-20	2020-21
Revenues & Other Financing Sources	214,366,514	213,051,809	218,561,866
Expenditures & Other Financing Uses	219,838,550	212,994,140	216,808,967
Net Increase (Decrease) to Fund Balance	(5,472,036)	57,669	1,752,899
Beginning Fund Balance	23,821,814	18,349,778	18,407,447
Ending Fund Balance	18,349,778	18,407,447	20,160,346
Revolving Cash & Stores	210,000	210,000	210,000
Assigned	5,065,816	900,706	900,706
Undesignated/Unappropriated	6,478,805	10,906,916	12,545,370
Reserve for Economic Uncertainties of 3%	6,595,157	6,389,825	6,504,270
Estimated Reserve %	8.35%	8.64%	9.30%

	2018-19		2019-20		2020-21	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Revenues & Other Financing Sources	174,225,689	40,140,825	174,857,638	38,194,171	180,042,270	38,519,596
Expenditures & Other Financing Uses	175,225,775	44,612,775	174,799,969	38,194,171	178,289,371	38,519,596
Net Increase (Decrease) to Fund Balance	(1,000,086)	(4,471,950)	57,669	0	1,752,899	0
Beginning Fund Balance	19,349,864	4,471,950	18,349,778		18,407,447	
Ending Fund Balance	18,349,778	0	18,407,447	0	20,160,346	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	16,661	16,702	16,777	16,853
County Operated SPED	34	39	46	39	52	52	52	52
Total Enrollment	16,155	16,451	16,562	16,673	16,713	16,754	16,829	16,905
P2 ADA	15,087.98	15,334.56	15,391.85	15,524.05	15,549.55	15,621.17	15,690.94	15,761.01
ADA/CBEDS Ratio	93.40%	93.21%	92.93%	93.11%	93.04%	93.24%	93.24%	93.23%

Summary of Other Funds

2018-19 Second Interim - Other Funds						
Other Funds	Adult Education 110	Cafeteria 130	Measure H 214	Measure A 215	Developer Fees 250	Capital Facilities RDA 251
Total Revenue	3,996,727	6,752,125	352,591	2,000,000	1,852,452	1,722,394
Total Expenditures	4,021,587	6,917,597	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 401	Oxnard #8 Start Up 409	Relocation DO 410	Bond Interest & Redemption 1996 Measure Q 510	Bond Interest & Redemption 2004 Measure H 514	Bond Interest & Redemption 2018 Measure A 515	Scholarships 730
Total Revenue	17,500	2,605	0	3,366,343	5,202,622	10,799,985	1,595
Total Expenditures	0	0	15,155,000	3,801,420	9,150,912	1,000,711	1,000
Excess/ (Deficiency)	17,500	2,605	(15,155,000)	(435,077)	(3,948,290)	9,799,274	595
Other Financing Sources	0	200,000	15,155,000	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

Recommendation

The staff recommendation is to approve the 2018-19 Second 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.