

ORANGE UNIFIED SCHOOL DISTRICT



USER FRIENDLY BUDGET BUSINESS SERVICES JUNE 4, 2020



A message from:

The Office of the Assistant Superintendent of Business Services

This User-Friendly Budget is an opportunity to communicate our financial commitment to District goals and actions. The 2020-21 Adopted Budget has been developed based on the Governor's January Proposed State Budget. Therefore, this Budget Book does not incorporate the proposed reductions recently announced by Governor Newsom during the State Budget May Revision to address the \$54 billion state budget shortfall due to the COVID-19 Pandemic impact to the state, national, and world economies. A summary of the Governor's Revision and potential impact to the budget is covered on page 9 of this issue.

The Board of Education and the Superintendent have the responsibility of setting policy and direction for the District, a task accomplished by defining goals and actions to be implemented by staff. Our Four Areas of Focus are the basis for allocating resources to our priorities:

- ◇ Excellence in Academics & Leadership
- ◇ Dedicated & Engaged Communication
- ◇ Genuine Wellness & Safety
- ◇ Efficient Utilization of Fiscal Capital

We remain fiscally responsible while focusing limited resources on supporting student achievement. Thank you for your continued support for the students of the Orange Unified School District.

David A. Rivera,
Assistant Superintendent/CBO



Serving the communities of Orange, Anaheim Hills, Villa Park and portions of Santa Ana, Garden Grove, and unincorporated areas of Orange County. Orange Unified School District is located in the central portion of Orange County and encompasses nearly 108 square miles.



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District Philosophy and Goals



VISION - OUR COMMITMENT

Inspiring our learners of today to be purposeful leaders of tomorrow.

MISSION - OUR INTENTION

In partnership with our community, we will provide a safe, equitable, and innovative culture of learning for each scholar to have a competitive EDGE as a leader.

CORE VALUES - OUR FOUNDATION

INTEGRITY

We embrace a culture of ethical and transparent decision making and actions.

EQUITY

We promote inclusive and culturally relevant environments by supporting the social-emotional and intellectual needs of all.

RESPECT

We advocate for strong, compassionate relationships that appreciate the unique qualities of our diverse community.

EXCELLENCE

We strive for the highest standards in all endeavors by deliberately pursuing continuous growth and innovation.

District Budget Overview

The Purpose of the Budget

The District's Budget is an expression in dollars of its educational program. The budget serves as an outline for estimated revenue and expenses for the fiscal year and is intended to serve a variety of purposes:

- ♦ A financial plan outlining proposed District goals and actions
- ♦ A reflection of educational philosophy
- ♦ A statement of District priorities
- ♦ A description of the education plan and resources to support the plan

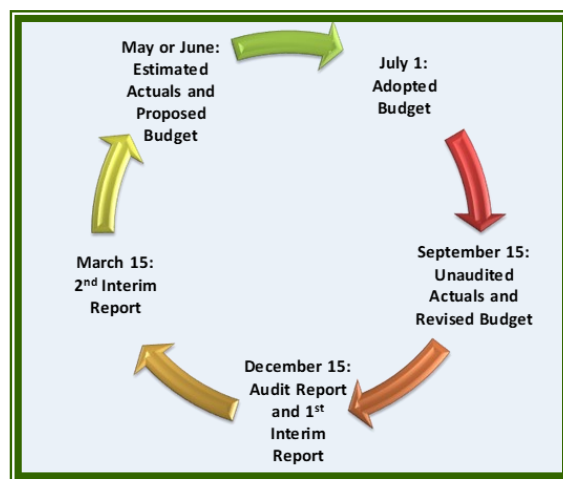
Fund Budgeting

The State requires the use of various funds based on the type of revenues and expenditures. The General Fund is the primary operating fund and it is used to account for the ordinary operations of the District. The general fund includes all transactions except those accounted for in a specialized fund, such as the Charter Schools Fund, Cafeteria Fund or Capital Projects Fund.

The Budget Cycle

Education Code requires local education agencies to submit financial reports at least four times a year. The reports must follow State guidelines and meet pre-determined financial standards to measure risk factors and the overall fiscal solvency of the district. The District uses a zero-based budgeting approach, which means that all expenses must be justified each year and therefore Business Services staff conducts budget development sessions with each school and department administrator to develop their site budgets.

This chart is an overview of the Education Code reporting requirements.



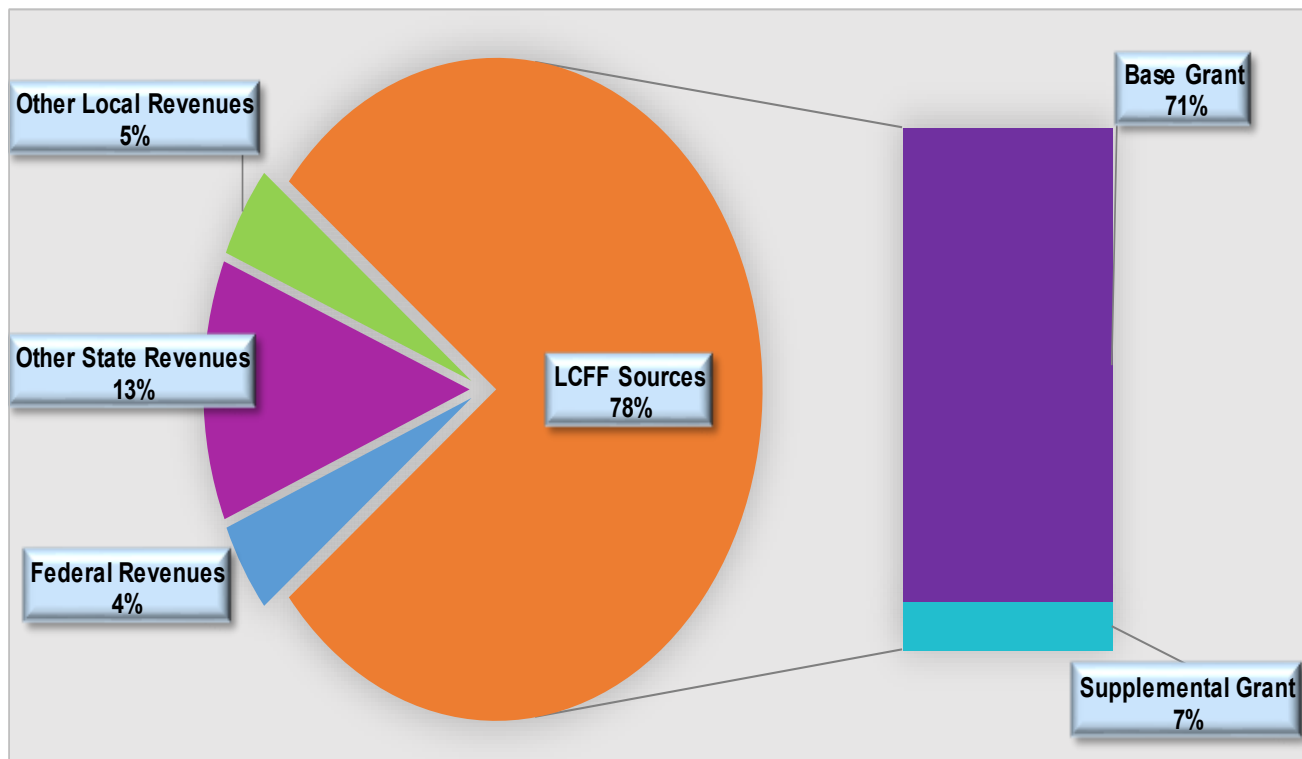
General Fund Revenues

2020-21 Adopted Budget – June 4, 2020

The total revenues from the Local Control Funding Formula are projected at \$234M or 78% of the District total revenues. Driving factors for the LCFF apportionment calculation are: Average Daily Attendance (ADA); the percentage of unduplicated English Learners, Low-Income students, and Foster Youth; and the cost of living adjustment. The last factor is determined at the state level. The LCFF revenues include a nominal transfer to the Deferred Maintenance Fund

Federal Revenues are projected at \$13M, State Revenues at \$38M, and Other Local Revenues at \$13M, representing 4%, 13%, and 5% respectively of total revenues.

	Restricted	Unrestricted	Total
LCFF Sources	\$0	\$234,451,319	\$234,451,319
Federal Revenues	\$13,003,060	\$125,000	\$13,128,060
Other State Revenues	\$33,201,282	\$4,819,666	\$38,020,948
Other Local Revenues /Transfers In	\$1,657,038	\$11,739,052	\$13,396,090
TOTAL REVENUES	\$47,861,380	\$251,135,037	\$298,996,417



General Fund Expenditures

2020-21 Adopted Budget– June 4, 2020

	2020-21
Certificated Salaries	\$126,099,371
Classified Salaries	\$48,794,314
Employee Benefits	\$84,056,684
Books and Supplies	\$10,056,186
Services and Other Operating	\$30,633,985
Capital Outlay	\$1,120,888
Other/Transfers Out	\$9,740,540
TOTAL EXPENSES	\$310,501,968

The General Fund Expenditures for 2020-21 are projected at \$311M, with approximately 83% of those expenses earmarked to cover the salaries and benefits of teachers and support service providers. Salaries and benefits are projected based on established staffing ratios and Board approved positions. In addition, budget allocations are provided to each school site on a per-student basis to cover operational costs like instructional materials, postage, printing, office, and library supplies.

Expenses associated with State and Federal categorical programs are projected not-to-exceed program revenues, except Mental Health Counselors funded by the Low Performing Block Grant and Special Education Master Plan since the apportioned state funds are inadequate to meet the needs of students served. The General Fund contribution to categorical programs including Special Education, Low Performing Block Grant and Routine Restricted Maintenance totals \$42M.

Stakeholders often inquire about the use of Lottery funds, which represents 2% of our annual General Fund budget or approximately \$5M (\$207 per ADA). The District uses the funds to purchase textbooks aligned to the new State Standards and other instructional materials and to support high school athletic programs.

A PEOPLE BUSINESS

Education is a service-oriented business where students are served by teachers and support service providers.

Approximately 83% of General Fund expenditures are for employees, including those who directly serve the children of this District.

Services are provided by teachers, nurses, counselors, librarians, psychologists, speech therapists, custodians, secretaries, clerks, maintenance workers, bus drivers, mechanics, technical support personnel, instructional aides, coaches, substitutes, principals, supervisors, and other administrative and support staff.

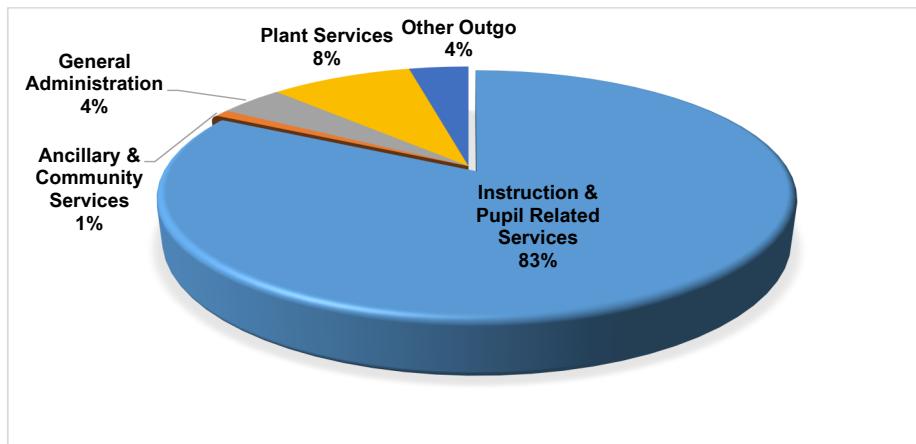
Since our business relies so heavily on people, our budget is impacted by increasing costs of employee benefits and by the cost to attract and retain quality employees who are qualified to serve our children.



Expenditures and Multi-Year Projections

General Fund Budgeted Expenditures by Function or Activity

The graph below shows a breakdown of the General Fund expenses associated with each activity of the District; 83% are related to K-12 instruction and services provided to students, including school administration, library and media, counseling, psychological, speech, pupil transportation and health services. Ancillary & Community Services is the cost of the District's athletic program. General Administration represents the cost of running the District, including fiscal services, human resources, purchasing, warehouse, and audit services. Plant Services include maintenance, operations, custodial, grounds, and security expenses. Other Outgo is the debt service payments, capital leases and transfers to Orange County Department of Education for students educated at County Programs.



At each reporting period, multi-year projections are included with the financial statements, and therefore District's staff is regularly estimating the current plus two subsequent years based on the latest economic indicators and advisories provided by State agencies and Orange County Department of Education. The Board of Education and District Administration continues taking action towards cost containment strategies to balance the multi-year budget. These Multi-Year Projections are a snapshot as of June and will be updated at the next reporting period in September:

	2020-21	2021-22	2022-23
TOTAL REVENUES	298,996,417	302,239,312	304,593,578
TOTAL EXPENDITURES	310,501,968	307,461,306	312,502,942
INCREASE (DECREASE) IN FUND BALANCE	(11,505,551)	(5,221,994)	(7,909,364)
BEGINNING BALANCE	68,671,269	57,165,718	51,943,724
PROJECTED ENDING BALANCE	57,165,718	51,943,724	44,034,360
Adjustment to Ending Fund Balance			
Stores, Revolving Cash and Assignments	(334,295)	(334,295)	(334,295)
Reserve for STRS and PERS Increase	(1,341,560)	(781,776)	(325,531)
3% State Required Contingency	(9,315,060)	(9,223,839)	(9,375,088)
Attract & Retain Students	(4,049,343)	(3,849,343)	(3,649,343)
Textbooks and Program Carryover	(5,525,000)	(5,525,000)	(5,525,000)
Unappropriated Fund Balance Above 3%	36,600,460	32,229,471	24,825,103

Enrollment Trends

Declining Enrollment and Average Daily Attendance (ADA)

Approximately 80% of the District’s revenue is generated from the Local Control Funding Formula. The funding is based on the average number of students in daily attendance (ADA). Enrollment is very important; it is even more important that students enrolled also attend school on a daily basis. OUSD has a 96% daily attendance rate, approximately 1 point higher than the state-wide average.

Our enrollment projection for 2020-21 Budget is 24,216 not including charter schools. Compared to 2019-20 this reflects a decline of 760. Declining enrollment is anticipated to reduce ADA by 460 in each of the next two years. District charter schools have a projected enrollment of 2,221 that generates separate revenue for those schools.

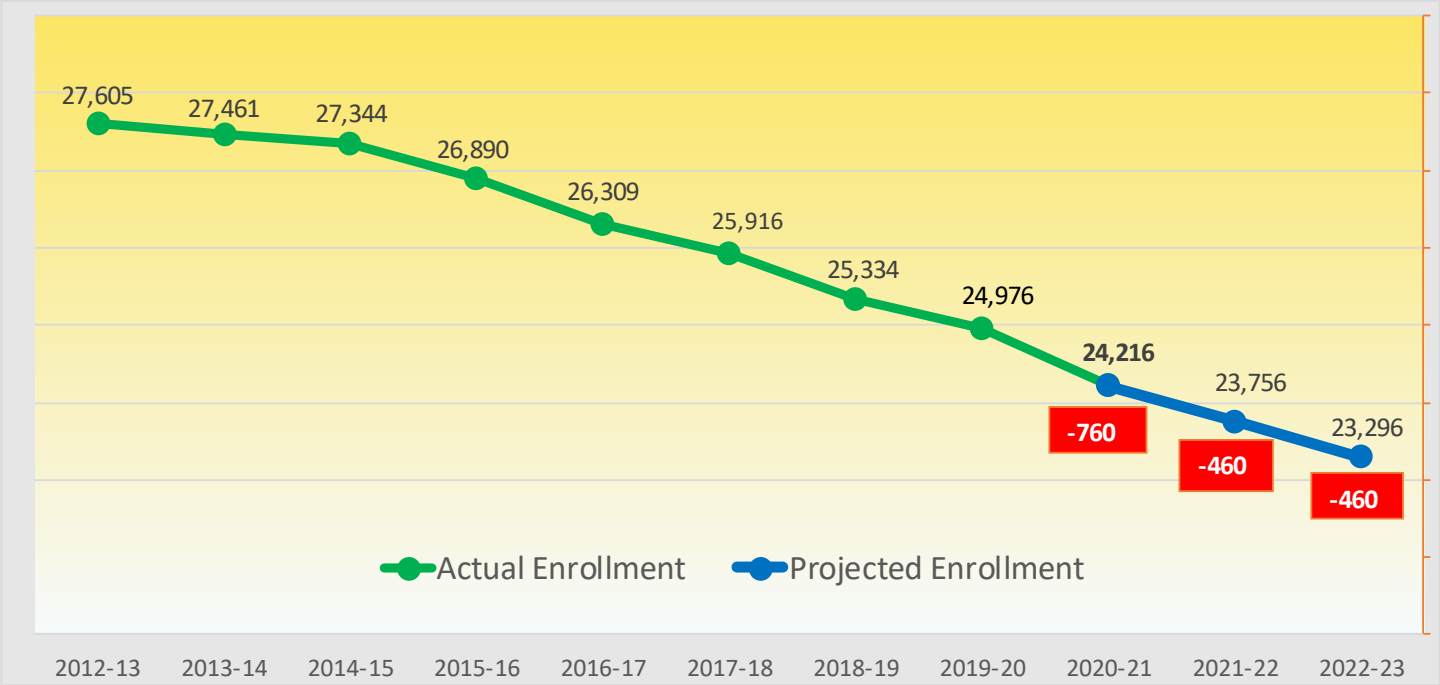
Enrollment projections are revised after the October census day and at each attendance reporting period.

Impact of Declining Enrollment

The revenue generated by one student pays for a portion of the classroom teacher and supplies as well as a small portion of each support service provided by the district. For example, if a district experienced a decline of 30 students and they all came from the same classroom, the district could operate with one less teacher, but a support service like Transportation would not realize any reduced cost.

Furthermore, if a decline of 30 students occurred, but each student was from a different classroom, the district would most likely still need the same number of teachers, and therefore, expenditures would remain the same (except for savings on instructional supplies), but the revenues would be reduced by approximately \$280K. It is very difficult to reduce expenditures to compensate for revenue losses without making significant program reductions. A conservative staffing approach and reserves have helped the district weather declining enrollment.

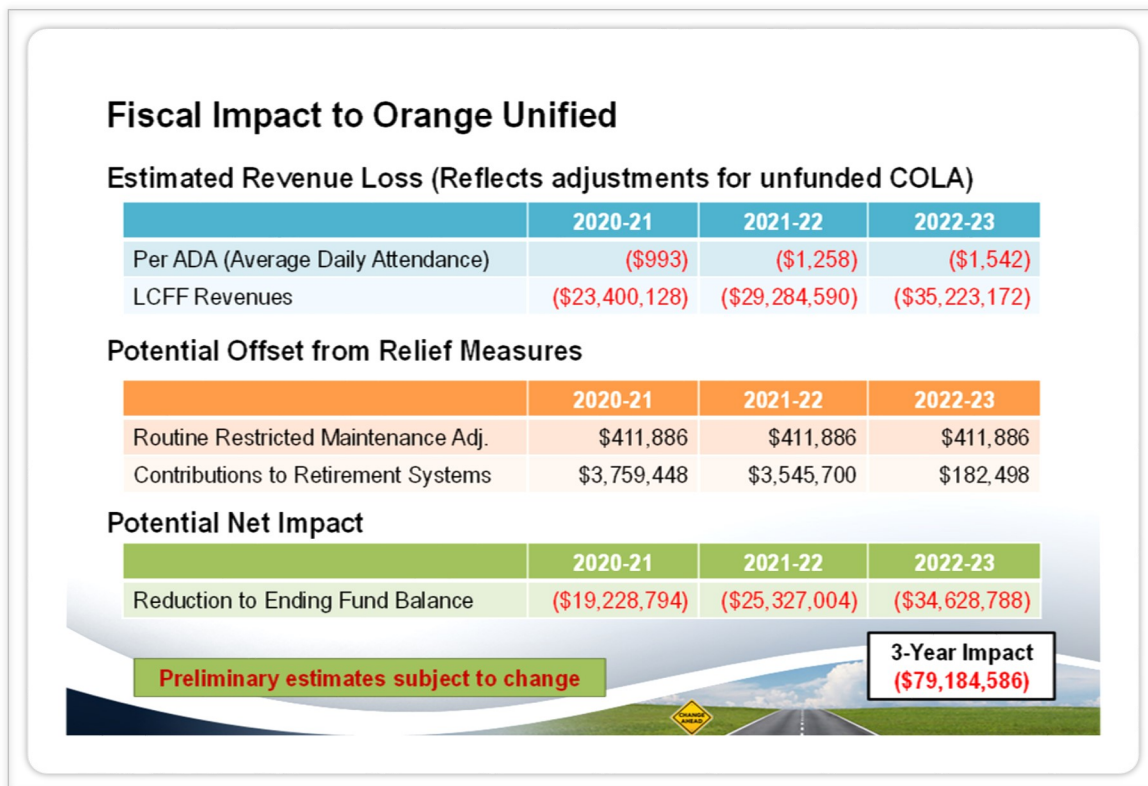
Historical Enrollment (Excluding Charter Schools)



Governor's May Revision

The Governor's May Revision is the last step in the State Budget process before the Legislature adopts the state's spending plan by June 15. Then the Budget Plan goes back to the Governor for negotiations and final adoption by July 1st.

During the May Revision, Governor Newsom announced a projected State Budget shortfall of \$54 billion due to COVID -19 and its devastating impact to the local, state, and national economies. He proposes the use of reserves, utilization of federal funds, implementation of cash deferrals, and steep budget reductions to balance the budget that includes a 10% reduction to education funding. Some of the relief measures offered by the Governor to offset the impact of the revenue loss includes a recalculation of the contribution to the Routine Restricted Maintenance Account and reduction of the employer contributions to the retirement systems. The table below shows the potential impact to the District's budget and multi-year projections.



On June 3, 2020 the Legislature reached an agreement and presented a budget plan with a different approach to address the state budget shortfall. The plan assumes more federal stimulus funds and rejects the Governor's proposed cuts to education but establishes trigger cuts and deeper cash deferrals if the federal funds are not sufficient. This year is also expected the Governor to present an August Revision to the state budget after income tax collections that were shifted from April 15 to July 15, 2020.

At the June 4, 2020 Board Meeting, the Assistant Superintendent of Business Services presented a comprehensive budget. It is recognized that, if necessary, the school district plans to implement ongoing budget reductions to maintain fiscal solvency.

Impact of COVID - 19

Additional Services and Related Expenditures

The COVID-19 Pandemic has taken over 100,000 lives across the Country and affected all aspects of daily life, with devastating impact to education, and the economy.

On March 13, 2020, Governor Newsom announced that all California schools would be closed to students due to the COVID-19 Pandemic and the increased cases throughout the state. While Orange Unified School District schools and facilities remain closed to students and the public, the District implemented online distance learning and support services, including online school counseling services, grab-and-go nutritional meals, and device distribution and connectivity. School principals continue to respond to parents and students. District staff and teachers are working together to fulfill the State directive to strengthen our delivery of education through online distance learning and support services.

Recently, Tony Thurmond, the State Superintendent of Public Instruction, released a guidebook for safe reopening of schools called “Stronger Together”. We anticipate that adjustments will need to be made to comply with the guidance provided by California Department of Education (CDE), as well as, the Centers for Disease Control (CDC) guidelines and incorporate best practices to continue to support the health and safety of our students, staff, and community. The Orange Unified School District Leadership Team is engaged in ongoing pandemic planning that includes social distancing measures and school site safety protocols to ensure staff is ready when schools reopen to meet the needs of students.

The current obstacle for the educational community is not only the fiscal crisis, but additionally challenges to safely and effectively meeting student needs. Since March, the District has been providing additional necessary services along with incurring over \$1 million of additional expenditures for these services.

COVID-19 – Additional Services and Expenses



Facilities Updates

Facilities

The District has had the opportunity to gain proceeds in the past from the sale of surplus properties. All proceeds are deposited to a Capital Reserve account which can specifically be used to provide major District facilities upgrades and renovations, as needed. The Capital Reserve account along with a mixture of developer fees is currently being used to upgrade Fred Kelly Stadium, as well as new synthetic track and field facilities at Canyon, Orange and Villa Park High Schools.

FRED KELLY STADIUM

Current Progress: COMPLETED

The \$22 million reconstruction of Fred Kelly Stadium began in January of 2019 and was completed in June 2020. The project includes new ADA bleacher seating for up to 5000 patrons, new concession areas on both the Home and Visitor sides of the stadium, new team locker rooms, new restrooms, improved ADA access and lighting, as well as increased security and surveillance systems.



NEW SYNTHETIC TRACK AND FIELDS—CLOSE TO COMPLETION

Current Progress:

The first phase of the project, including the installation of synthetic track and field materials, was completed in Spring 2019. Phase two, including new ADA sidewalk upgrades and new fencing will be completed at all three schools this Fall.



Measure S Update

At the November 8th, 2016 Election, Voters approved Measure S – OUSD Bond Measure.

Measure S will provide \$288 million in locally controlled funds to repair and upgrade OUSD's four comprehensive high schools.

Measure S will cost approximately \$29 per \$100,000 of assessed property value (not market value) annually, or about \$108 per year for the average residence.

Measure S continues to make great progress in the Orange Unified School District. The Phase I projects, featuring four new state-of-the-art Science Center projects, are currently under construction.

Phase II projects are currently in the design development stages and will include the construction of new classroom buildings at El Modena High School, Orange High School, and Villa Park High School along with several renovation projects throughout the four campuses. Phase II projects were approved unanimously by the Board of Education on July 25, 2019. The presentations and updated program information can be found at: <https://www.orangeusd.org/measure-s>

Phase 1 Construction Completion:

- ◇ Fall 2020- Orange HS Science Center
- ◇ Fall 2020 - El Modena HS Science Center
- ◇ Winter 2020 - Villa Park HS Science Center
- ◇ Fall 2021 - Canyon HS Science Center

Citizens' Oversight Committee (COC) has held four meetings per year since May 2017 and delivered its third annual report to the Board of Education on March 12, 2020. The 7-member committee acts independently from the Board of Education to promote transparency and provide assurance to the District taxpayers.

Board of Education

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Superintendent of Schools

David A. Rivera
Assistant Superintendent/CBO
Business Services

Construction Updates:



For More Information Contact:

Business Services
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(714) 628-4479

<http://www.orangeusd.org>

