



Action Item

TO: Board of Trustees

PRESENTED BY: Ted P. Lawrence, Assistant Superintendent Business Services

BOARD AGENDA ITEM: Consideration of Approval of the Second Interim Budget, Fiscal Year 2021-22

BOARD MEETING DATE: March 9, 2022

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 2021-22 Second Interim Report includes budget activity in the District through January 31, 2022. Administration will review the Second Interim Report for 2021-22 and present the District's Multi-Year Projection for financial planning at the March 9, 2022 meeting.

FISCAL IMPLICATIONS:

The Second Interim Report for 2021-22 projects the District will have a deficit of revenue over expenditures in the general fund. This will total a deficit of **(\$14,498,161)** with a projected total ending balance of \$21,260,727.

RECOMMENDATION:

It is the recommendation of the District administration that the Board of Trustees approve the 2021-22 Second Interim Financial Report as presented.



2021-22 Second Interim

The Second Interim is based on current information and assumptions from the Governor's Proposals for the 2022-23 State Budget and K-12 presented by School Services of California. The proposals affect the Second Interim multi-year projections which includes projected COLA for fiscal years 2022-23 in the amount of 5.33% and 2023-24 in the amount of 3.61%. The increase to the COLA is offset in the multiyear projection with the increase of 2.18% in CalSTRS, 3.19% in CalPERS, estimated 3% increase in health and welfare and estimated 1% increase for step and column. The governor did not propose providing relief towards CalSTRS and CalPERS in the 2022-23 Governor's Proposal, but that may change in the May Revise. Included in the Second Interim is the decrease in enrollment and unduplicated student counts based on the certified CALPADS report, which was brought forward in the multiyear projection.

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 \$9,562,601 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 08-73, are reported in the documentation for the Second Interim Report. They include Student Body Fund, Adult Education, Cafeteria, Building, School Facilities, 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.
- 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 \$304,255,199

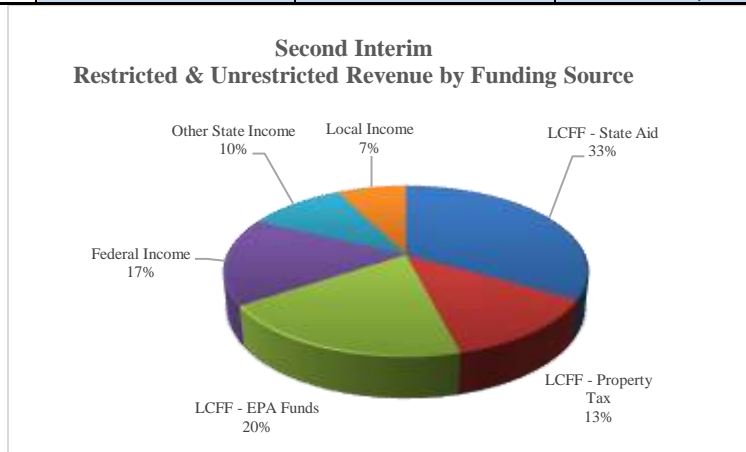
LCFF Revenue: The District projects a decrease in LCFF revenues of **(\$2,070,549)** from \$201,679,938 in the First Interim to \$199,609,389 in the Second Interim. This is due to the decrease in enrollment, unduplicated student count and the percentage used for estimating ADA. The P1 report attendance which is ADA as of December 10, 2021 historically is higher than P2, but this year it was lower than the 2020-21 P1 and P2 report. Based on that information, the percentage used for estimating the 2021-22 P2 went from 92.62% to 92.17% of enrollment.

Federal Revenue: The District projects an increase in Federal revenues of \$2,823,373 from \$47,758,595 in the First Interim to \$50,581,968 in the Second Interim. The increase is due to the budgeting of carry over and increase in the allocation which includes, Title I \$202,785, ESSER II \$785,162, ESSER III \$1,078,693, GEER \$368,687 and ESSA Title IV Student Support \$245,346. Increases due to new funding include ESSA School Improvement \$86,918 and Channel Islands National Park \$33,862. Miscellaneous changes to federal revenue totaled \$21,920.

Other State Revenue: The District projects an increase in Other State revenue of \$4,122,700 from \$27,457,616 in the First Interim to \$31,580,316 in the Second Interim. The increase is due to new funding for Educator Effectiveness \$2,862,697, Special Education Dispute Prevention and Resolution \$210,220, Special Education Learning Recovery Support \$1,182,484, carryover funds in Lottery \$47,753, Restricted Lottery \$17,680, California Partnership Academy \$75,783, In Person Instruction \$910,363 and Special Education Project Workability \$96,958. This was offset by the transfer of Expanded Learning Opportunities for Paraeducators from state revenue to contributions due to the revenue received in Expanded Learning Opportunities **(\$1,281,113)** and miscellaneous changes to other state revenue **(\$125)**.

Other Local Revenue: The District projects an increase in Other Local revenue of \$251,139 from \$22,232,387 in the First Interim to \$22,483,526 in the Second Interim. The increase is due to the increase in reimbursable expenditures for the 70/30 share of the district office cost with Rio School District \$227,887 miscellaneous changes to other local revenue \$23,252.

Revenue	2021-22 Adopted Budget	2021-22 First Interim	2021-22 Second Interim	Change
LCFF Entitlement	\$197,034,720	\$201,679,938	\$199,609,389	(\$2,070,549)
Federal Revenue	16,509,493	47,758,595	50,581,968	2,823,373
Other State Revenue	38,008,216	27,457,616	31,580,316	4,122,700
Local Revenue	18,995,688	22,232,387	22,483,526	251,139
Total	\$270,548,117	\$299,128,536	\$304,255,199	\$5,126,663



Expenditure Summary

Total Projected Expenditures \$316,753,360

Certificated Salary: The District projects an increase of \$4,650,812 from \$99,303,036 in the First Interim to \$103,953,848 in the Second Interim. The increase is due to the 4.31% on schedule pay increase and 2% one-time off schedule. Unit Share salary costs increased \$4,163,817. Certificated Management salary costs increased \$258,009. Increases to non-unit share and restricted programs totaled \$228,986.

Classified Salary: The District projects an increase of \$3,790,109 from \$27,783,053 in the First Interim to \$31,573,162 in the Second Interim. The increase is due to the 4.31% on schedule pay increase and 2% one-time off schedule \$1,642,155, budgeting for Maintenance positions that were previously charged to Routine Restricted Maintenance that were not budgeted for at First Interim \$1,737,847, the CSUCI Residents \$200,000, and Paraeducator fte increase \$210,107.

Benefits: The District projects an increase \$878,722 from \$80,269,248 in the First Interim to \$81,147,970 in the Second Interim. The increase is due to the changes in Certificated and Classified salaries.

Books and Supplies: The District projects an increase of \$736,768 from \$41,143,609 in the First Interim to \$41,880,377 in the Second Interim. The increase is due to allocation increases in restricted programs, clearing negative balances by reallocating budgets to and from other budgets such as salary and benefits and services and operating expenditures. New funding for Educator Effectiveness, SPED Dispute Prevention and Dispute Resolution, and SPED Learning Recovery Support.

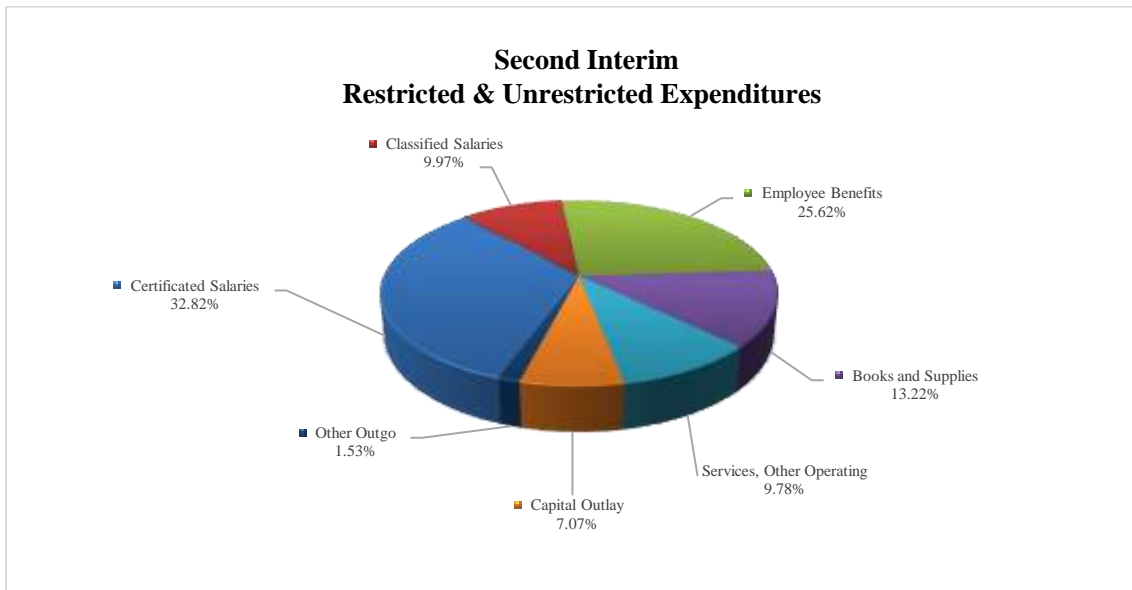
Services & Other Operating: The District projects an increase of \$4,138,571 from \$26,825,205 in the First Interim to \$30,963,776 in the Second Interim. The increase is due to a transfer to clear negative budget lines from capital outlay for Routine Restricted Maintenance \$949,563. Increase in allocations for In Person Instruction \$452,745 and ESSER II funding \$140,122. Carryover for Title I, CA Scale Up, Channel Islands National Park Services, GEER I, School Improvement (CSI) for a total of \$99,142. New funding for Educator Effectiveness \$471,226, SPED Dispute Prevention and Dispute Resolution \$28,800 and SPED Learning Recovery Support \$163,200 and the 15% LCAP Concentration funding \$295,802 and the reallocation of LCAP budget \$1,222,899. Reallocation of budgets totaling \$315,072.

Capital Outlay: The District projects an increase of \$391,619 from \$22,003,129 in the First Interim to \$22,394,748 in the Second Interim. The increase is due to the increase in ESSER III funding \$1,078,693, reallocation of the Solar Drive generator from Fund 215 to a general fund reimbursable account for the Rio 70/30 split \$95,553, additional costs for the 3 electric buses \$87,347 which is offset by the decrease in Routine Restricted Maintenance to clear negative budget line items (\$869,974).

Other Outgo-Excluding Excess Costs: The District projects a decrease of (\$1,537) from \$5,444,989 in the First Interim to \$5,443,452 in the Second Interim. The decrease is due to the reduction in the LCFE transfer to VCOE for OUHSD students that attend county operated schools.

Other Outgo-Indirect: The District does not project a change from the First Interim to the Second Interim.

Expenditures	2021-22 Adopted Budget	2021-22 First Interim	2021-22 Second Interim	Changes
Certificated Salaries	\$104,777,931	\$99,303,036	\$103,953,848	\$4,650,812
Classified Salaries	29,627,196	27,783,053	31,573,162	3,790,109
Employee Benefits	84,815,815	80,269,248	81,147,970	878,722
Books and Supplies	22,802,250	41,143,609	41,880,377	736,768
Services, Other Operating	22,654,664	26,825,205	30,963,776	4,138,571
Capital Outlay	872,175	22,003,129	22,394,748	391,619
Other Outgo	4,317,053	4,841,016	4,839,479	(1,537)
Total Expenditures	\$269,867,084	\$302,168,296	\$316,753,360	\$14,585,064



Contributions to Restricted Programs Summary

The table below shows the contributions to support restricted programs. The District projects an increase of \$589,281 from \$10,636,392 in the First Interim to \$11,225,673 in the Second Interim. The increase to Routine Restricted Maintenance Account (RRMA) in the amount of \$363,994 which is a state requirement that 3% of the overall general fund expenditures be transferred into RRMA and increase in Special Education of \$225,287 for the 4.31% on schedule and 2% off schedule pay increase and additional fte for Paraeducators due to the growth in student need.

	2021-22 Adopted Budget	2021-22 First Interim	2021-22 Second Interim	Changes
Special Education	6,051,729	2,940,183	3,165,470	225,287
Routine Restricted Maintenance	7,780,224	7,696,209	8,060,203	363,994
Total	\$ 13,831,953	\$ 10,636,392	\$ 11,225,673	\$ 589,281

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 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 decreased **(\$9,258,401)**. This is mainly due to the use of reserves for the 4.31% on schedule pay increase, the 2% off schedule, budgeting for maintenance positions that were moved from Routine Restricted Maintenance at First Interim, a \$1.1m increase for substitute salary and benefits, and reduction in LCFF funding due to decrease in enrollment and unduplicated student counts.

	2021-22 Adopted Budget	2021-22 First Interim	2021-22 Second Interim	<i>Changes</i>
Beginning Balance	\$24,001,764	\$35,758,888	\$35,758,888	\$ -
Audit Adjustment	0	0	0	0
Operating Surplus (Deficit)	681,033	(5,239,760)	(14,498,161)	(9,258,401)
Ending Balance	24,682,797	30,519,128	21,260,727	(9,258,401)
Reserve for Economic Uncertainties	8,096,013	9,131,049	9,562,601	431,552
Revolving Cash Fund and Stores	510,000	510,000	510,000	0
Restricted Fund Balance	495,261	516,198	2,873,835	2,357,637
Assigned				
<i>Summer School Savings</i>	2,347,833	2,347,833	2,347,833	0
<i>1 Diesel School Bus</i>	200,000	0	0	0
<i>3 White Fleet @ \$75,000 each</i>	225,000	0	0	0
<i>Contribution to Del Sol HS</i>	2,000,000	0	0	0
<i>Debt Service Payment</i>	3,000,000	0	3,000,000	3,000,000
<i>Unallocated Unit Share</i>	3,479,916	3,647,829	1,514,168	(2,133,661)
<i>2021-22 Unit Share</i>	0	3,784,642	0	(3,784,642)
Total Reserves and Designations	20,354,023	19,937,551	19,808,437	(129,114)
Undesignated Balance	4,328,774	10,581,577	1,452,290	(9,129,287)
Ending Balance	\$ 24,682,797	\$ 30,519,128	\$ 21,260,727	\$ (9,258,401)

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 2022-23 and 2023-24. District administration will be working on budget plans that have appropriate contingencies, to be developed to ensure that the district maintains financial stability.

Assumptions for the Multi Year Projection:

	<u>2022-23</u>	<u>2023-24</u>
LCFF COLA	5.33%	3.61%
Enrollment	17,394	17,394
Unduplicated	11,921	11,921
Average Daily Attendance ADA	16,074.60	16,074.60
CalSTRS Employer Rate	19.10%	19.10%
CalPERS Employer Rate	26.10%	27.10%
Health & Welfare	3%	3%

All one-time funding and off schedule pay have been removed.

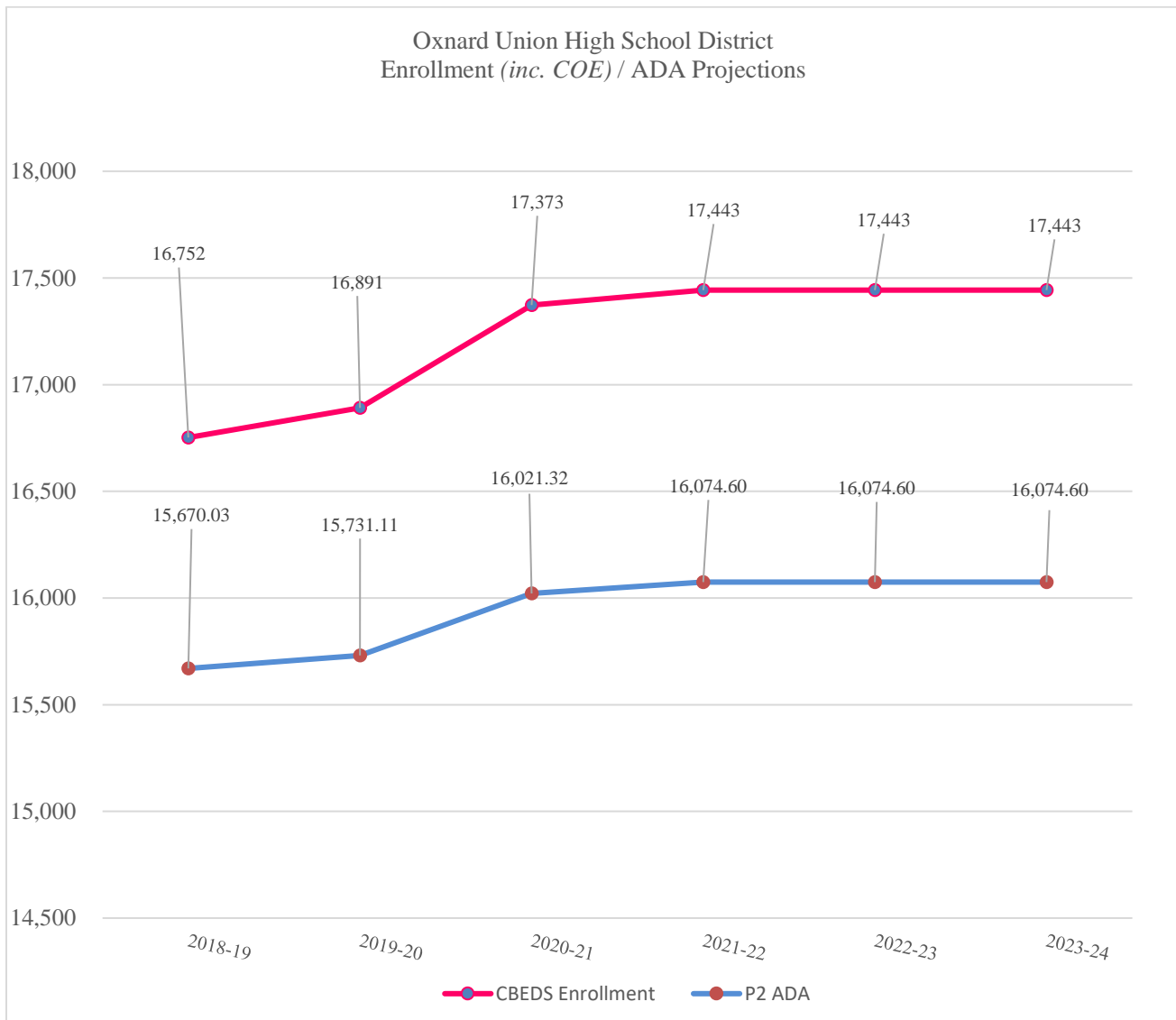
	2021-22	2022-23	2023-24
Revenues & Other Financing Sources	304,255,199	257,620,523	265,062,363
Expenditures & Other Financing Uses	318,753,360	260,513,849	269,698,563
Net Increase (Decrease) to Fund Balance	(14,498,161)	(2,893,326)	(4,636,200)
Beginning Fund Balance	35,758,888	21,260,727	18,367,401
Ending Fund Balance	21,260,727	18,367,401	13,731,201
Revolving Cash & Stores	510,000	510,000	510,000
Restricted Fund Balance	2,873,835	1,638,190	1,013,890
Assigned	6,862,001	5,474,087	4,097,380
Undesignated/Unappropriated	1,452,290	2,929,708	18,974
Reserve for Economic Uncertainties of 3%	9,562,601	7,815,416	8,090,957
Estimated Reserve %	6.67%	7.05%	5.09%

	2021-22		2022-23		2023-24	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Revenues & Other Financing Sources	197,214,272	107,040,927	204,615,270	53,005,253	210,897,663	54,164,700
Expenditures & Other Financing Uses	203,798,493	114,954,867	206,272,951	54,240,898	214,909,563	54,789,000
Net Increase (Decrease) to Fund Balance	(6,584,221)	(7,913,940)	(1,657,681)	(1,235,645)	(4,011,900)	(624,300)
Beginning Fund Balance	24,971,113	10,787,775	18,386,892	2,873,835	16,729,211	1,638,190
Ending Fund Balance	18,386,892	2,873,835	16,729,211	1,638,190	12,717,311	1,013,890

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	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Actual	2022-23 Projected	2023-24 Projected
CBEDS Enrollment	16,701	16,839	17,327	17,394	17,394	17,394
County Operated SPED	51	52	46	49	49	49
Total Enrollment	16,752	16,891	17,373	17,443	17,443	17,443
P2 ADA	15,670.03	15,731.11	16,021.32	16,074.60	16,074.60	16,074.60
ADA/CBEDS Ratio	93.54%	93.13%	92.22%	92.16%	92.16%	92.16%



2021-22 Second Interim - Other Funds

Other Funds	Student Activity	Adult Education	Cafeteria	Measure A	Developer Fees	Capital Facilities RDA	Prop 51 CTE
	080	110	130	215	250	251	352
Total Revenue	0	4,034,648	8,181,935	700,200	773,536	1,885,332	1,806
Total Expenditures	0	4,636,685	8,780,203	218,081,155	6,574,000	2,340,000	693,494
Excess/ (Deficiency)	0	(602,037)	(598,268)	(217,380,955)	(5,800,464)	(454,668)	(691,688)
Other Financing Sources	0	0	0	100,897,500	0	0	0
Net Inc/(Dec) to Fund Balance	0	(602,037)	(598,268)	(116,483,455)	(5,800,464)	(454,668)	(691,688)
Beginning Balance	1,591,882	602,037	2,605,594	116,483,455	8,965,299	3,256,327	691,688
Ending Balance	1,591,882	0	2,007,326	0	3,164,835	2,801,659	0

Other Funds	COP Del Sol HS	Start Up Del Sol HS	Solar Drive	RCHS State Reimbursement	Bond Interest & Redemption 1996 Measure Q	Bond Interest & Redemption 2004 Measure H	Bond Interest & Redemption 2018 Measure A	Scholarships
	401	409	410	411	510	514	515	730
Total Revenue	122,032	7,863	20,480	125,000	3,218,095	4,425,444	13,150,708	441
Total Expenditures	49,100,000	0	1,727,312	15,507,162	3,715,405	6,647,425	13,513,238	
Excess/ (Deficiency)	(48,977,968)	7,863	(1,706,832)	(15,382,162)	(497,310)	(2,221,981)	(362,530)	441
Other Financing Sources	49,095,000	2,000,000	4,065,000	0	0	0	0	0
Net Inc/(Dec) to Fund Balance	117,032	2,007,863	2,358,168	(15,382,162)	(497,310)	(2,221,981)	(362,530)	441
Beginning Balance	0	423,800	0	15,382,162	3,848,081	8,295,362	12,608,160	60,594
Ending Balance	117,032	2,431,663	2,358,168	0	3,350,771	6,073,381	12,245,630	61,035

Summary of Other Funds

Fund 080 - The Student Body Fund is to report associated student body (ASB) activities. GASB 84 recognizes ASB activity to be governmental rather than fiduciary. This was implemented in the 2020-21 fiscal year.

Fund 110 - The Adult Education Fund is used to account separately for federal, state and local revenues that are restricted or committed for adult education programs.

Fund 130 - The Cafeteria Fund is used to account separate for federal, state and local resources to operate the food service program (Education Code sections 38090 and 38093).

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, 409, 410 & 411 - The Special Reserve Fund for Capital Outlay Projects - are to be used for the Del Sol High School COP (Fund 401), the Del Sol High School Startup funds (Fund 409), record the receipt of revenue for the sale of district property and expense incurred for the relocation of the district office (Fund 410) and the reimbursement for Rancho Campana High School to be used towards Del Sol High School (Fund 411).

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 2021-22 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, 2022; will be able to meet current fiscal year obligations; and will be able to meet future years' financial obligations 2022-23 and 2023-24.