



Action Item

TO: Board of Trustees

PREPARED BY: Patsy Thomas, Director Fiscal Services

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

BOARD AGENDA ITEM: Consideration of Approval of the Second Interim Budget, Fiscal Year 2022-23

BOARD MEETING DATE: March 8, 2023

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 2022-23 Second Interim Report includes budget activity in the District through January 31, 2023. Administration will review the Second Interim Report for 2022-23 and present the District's Multi-Year Projection for financial planning at the March 8, 2023 meeting.

FISCAL IMPLICATIONS:

The Second Interim Report for 2022-23 projects the District will have a deficit of revenue over expenditures in the general fund. This will total a deficit of **(\$8,888,804)** with a projected total ending balance of \$23,948,713.

RECOMMENDATION:

It is the recommendation of the District administration that the Board of Trustees approve the 2022-23 Second Interim Financial Report as presented.



2022-23 Second Interim

The Second Interim is based on current information and assumptions from the Governor's Proposals for the 2023-24 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 2023-24 in the amount of 8.13% and 2024-25 in the amount of 3.54%. The increase to the COLA is offset in the multiyear projection with the increase of CalPERS, estimated increase in health and welfare and estimated increase for step and column. 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 \$10,803,300 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 \$346,221,168

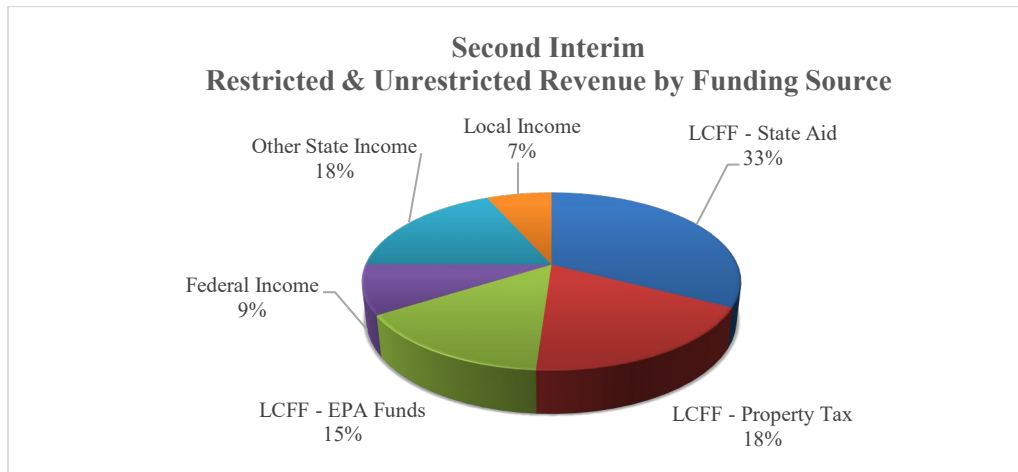
LCFF Revenue: The District projects an increase in LCFF revenues of \$860,598 from \$227,819,157 in the First Interim to \$228,679,755 in the Second Interim. This is due to an increase of 31 unduplicated students over 1st Interim.

Federal Revenue: The District projects an increase in Federal revenues of \$271,042 from \$31,047,160 in the First Interim to \$31,318,202 in the Second Interim. The increase is due to new Special Education Funding Mental Health funding in the amount of \$198,217, Retiree Drug Subsidy in the amount of \$9,247, revised 2022-23 Title I allocation in the amount of \$76,677 and \$71 in additional Title IV Student Support and Academic Enrichment Grant. This was off set by a decrease of **(\$13,170)** for the Oxnard High School ROTC salary reimbursement due to the vacancy not being filled.

Other State Revenue: The District projects an increase in Other State revenue of \$3,866,921 from \$59,250,879 in the First Interim to \$63,117,800 in the Second Interim. The increase is due to additional funding for Mandated Cost in the amount of \$1,334, Unrestricted Lottery in the amount of \$46,827, Transportation Reimbursement Program in the amount of \$799,983, 2022-23 Career Technical Education Incentive Grant in the amount of \$1,837,926, new SPED Mental Health funds in the amount of \$1,138,552, Agricultural Career Technical Education Incentive Grant in the amount of \$2,221, California Partnership Academy in the amount of \$27,800 and reimbursement for 2020-21 CAASPP and 2019-20 ELPAC testing in the amount of \$12,278.

Other Local Revenue: The District projects an increase in Other Local revenue of \$371,509 from \$22,733,902 in the First Interim to \$23,105,411 in the Second Interim. The increase is due to additional rental of facilities in the amount of \$81,800, increased allocation for Medi-Cal billing in the amount of \$100,000, new grant award from Kaiser Thriving School Funding to improve health and well-being of its school community in the amount of \$20,000, increase in site donations in the amount of \$7,938, additional pandemic funding for Cal SAFE in the amount of \$7,500, CSEBO Staff Wellness budget in the amount of \$8,575, increase in insured loss that is not covered by district's property or liability insurance in the amount of \$34,837, increase in Truancy Fines and Fees that is offset by the cost of the district's cost in the THRIVE program with the Ventura County District Attorney's Office for SARB and Truancy in the amount of \$1,000 and miscellaneous revenue for refunds, restitution, sale of surplus equipment and sale of student chrome books in the amount of \$109,859.

General Fund Revenue	2022-23 Adopted Budget	2022-23 First Interim	2022-23 Second Interim	Change
LCFF Entitlement	\$215,019,076	\$227,819,157	\$228,679,755	\$860,598
Federal Revenue	33,709,417	31,047,160	31,318,202	271,042
Other State Revenue	27,337,059	59,250,879	63,117,800	3,866,921
Local Revenue	19,261,249	22,733,902	23,105,411	371,509
Total	\$295,326,801	\$340,851,098	\$346,221,168	\$5,370,070



Expenditure Summary

Total Projected Expenditures \$355,109,972

Certificated Salary: The District projects an increase of \$11,506,890 from \$103,715,705 in the First Interim to \$115,222,595 in the Second Interim. The increase is due to the 11.25% on schedule pay increase and 2.75% one-time off schedule for all certificated bargaining unit members. Certificated management received a 9% on schedule pay increase and 2.75% off schedule. The increase also included 2 additional longevity steps, longevity for coaches and advisors, extra duty increases for coaches, advisors and department chairs, the release periods for Special Education department chairs and increase for substitutes due to the additional \$300 received for every 5 days worked.

Classified Salary: The District projects an increase of \$3,053,659 from \$32,654,402 in the First Interim to \$35,708,061 in the Second Interim. The increase is due to the 9% on schedule pay increase and 2.75% one-time off schedule to all classified bargaining unit members, confidential and classified management. The increase also includes the increase for walk on coaches and advisors who are paid a percentage of step 1 of the certificated extra duty salary schedule based on their sport or advisor assignment. This was offset with some savings for vacancies that have not been filled.

Benefits: The District projects an increase \$3,766,936 from \$83,743,817 in the First Interim to \$87,510,753 in the Second Interim. The increase is due to the changes in Certificated and Classified salaries.

Books and Supplies: The District projects a decrease of **(\$10,325,338)** from \$49,639,214 in the First Interim to \$39,313,876 in the Second Interim. The majority of the decrease is due to the reallocation of the Arts, Music and Instructional Materials Block Grant that was budgeted in supplies in the 1st Interim budget in the amount of **(\$8,258,758)**. Also included is the reallocation of the Learning Recovery Emergency Block Grant to offset the 2.25% certificated bargaining unit salary and benefits in the amount of **(\$2,254,293)** and reallocation of restricted programs due to the on and off schedule increases and negative line item budgets in the amount of **(\$1,346,292)**. The decreases were offset by an increase in Career Technical Education Incentive Grant (CTEIG) additional funding in the amount of \$1,534,005.

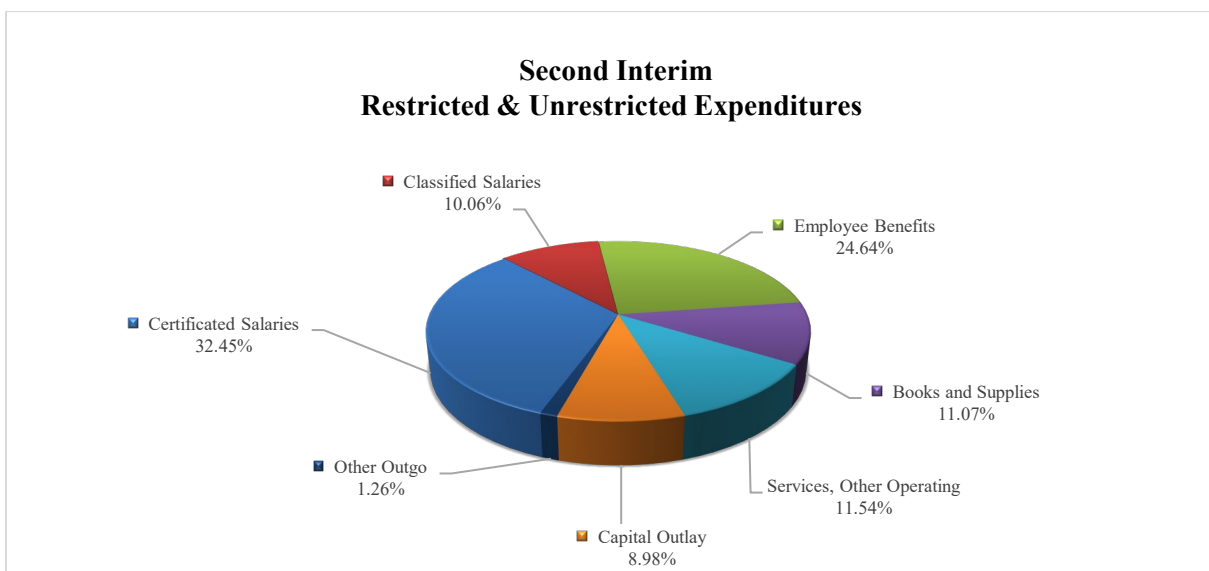
Services & Other Operating: The District projects a decrease of **(\$814,100)** from \$41,776,405 in the First Interim to \$40,962,305 in the Second Interim. The decrease is due to reducing the budget to reflect actuals in SPED IDEA sub agreements for NPS and LCI school in the amount of **(\$1,696,793)** and the reallocation of budget for salary, benefits and negative line items in SPED AB602 in the amount of **(\$706,934)**. This was offset by the increase for Medi-Cal funding in the amount of \$100,000, SPED State Mental Health Services in the amount of \$1,138,552 and SPED Federal Mental Health Services in the amount of \$196,584 and miscellaneous changes to clear negative balances in the amount of \$154,491.

Capital Outlay: The District projects an increase of \$9,256,897 from \$22,648,845 in the First Interim to \$31,905,742 in the Second Interim. The increase is due to Measure A funding that has been fully expensed, the costs for HVAC and Del Sol High School “unforeseen” change orders are being charged to the unrestricted general fund in the amount of \$1,680,990, the match for E-Rate in the amount of \$346,162, increase in Routine Restricted Maintenance for a replacement portable at Frontier High School that was offset by reallocation of other line item budgets in the amount of \$174,745, Art, Music and Instructional Materials allocation for COVID/HVAC in the amount of \$7,000,000 and an increase in Career Technical Education Incentive Grant (CTEIG) additional funding in the amount of \$55,000.

Other Outgo-Excluding Indirect Costs: The District projects a decrease of (\$102,791) from \$5,309,412 in the First Interim to \$5,206,621 in the Second Interim. The decrease is due to the reduction in the LCFF 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.

General Fund	2022-23 Adopted Budget	2022-23 First Interim	2022-23 Second Interim	Changes
Certificated Salaries	\$102,603,976	\$103,715,705	\$115,222,595	\$11,506,890
Classified Salaries	33,370,795	32,654,402	35,708,061	3,053,659
Employee Benefits	87,321,926	83,743,817	87,510,753	3,766,936
Books and Supplies	22,853,373	49,639,214	39,313,876	(10,325,338)
Services, Other Operating	37,296,191	41,776,405	40,962,305	(814,100)
Capital Outlay	10,882,482	22,648,845	31,905,742	9,256,897
Other Outgo	5,120,514	4,589,431	4,486,640	(102,791)
Total Expenditures	\$299,449,257	\$338,767,819	\$355,109,972	\$16,342,153



Other Funding Sources Summary

The table below shows the transfer from the Unrestricted General Fund to Other Funds. There were no new transfers budgeted in the 2nd Interim.

Unrestricted General Fund Transfer Out	2022-23 Adopted Budget	2022-23 First Interim	2022-23 Second Interim	<i>Changes</i>
Fund 409-Del Sol High School Start Up	0	(3,000,000)	(3,000,000)	0
Fund 410-Solar Drive Contribution	0	(2,000,000)	(2,000,000)	0
Total	\$ 0	\$ (5,000,000)	\$ (5,000,000)	\$ 0

Contributions to Restricted Programs Summary

The table below shows the contributions to support restricted programs. The District projects a decrease of **(\$652,647)** from \$17,450,217 in the First Interim to \$16,797,570 in the Second Interim. The increase to Routine Restricted Maintenance Account (RRMA) in the amount of \$269,561 which is a state requirement that 3% of the overall general fund expenditures be transferred into RRMA and the decrease in Special Education of **(\$922,208)** is due to the decrease in NPS/LCI costs, unbudgeting vacancies which offset the cost of the on and off schedule.

Unrestricted General Fund Contributions	2022-23 Adopted Budget	2022-23 First Interim	2022-23 Second Interim	<i>Changes</i>
Special Education	9,498,484	8,027,361	7,105,153	(922,208)
Routine Restricted Maintenance	8,012,293	9,422,856	9,692,417	269,561
Total	\$ 17,510,777	\$ 17,450,217	\$ 16,797,570	\$ (652,647)

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 **(\$10,972,083)**. This is mainly due to the use of reserves for the 11.25% and 9% on schedule pay increases, the 2.75% off schedule and budgeting for HVAC and Del Sol High School construction change orders no longer available through Measure A funds.

	2022-23 Adopted Budget	2022-23 First Interim	2022-23 Second Interim	Changes
Beginning Balance	\$ 26,948,650	\$ 37,837,517	\$ 37,837,517	\$ -
Audit Adjustment	0	0	0	0
Operating Surplus (Deficit)	(4,122,456)	(2,916,721)	(13,888,804)	(10,972,083)
Ending Balance	22,826,194	34,920,796	23,948,713	(10,972,083)
Reserve for Economic Uncertainties	8,983,478	10,313,035	10,803,300	\$ 490,265
Revolving Cash Fund and Stores	510,000	510,000	510,000	0
Restricted	2,704,045	2,493,112	4,026,540	1,533,428
Assigned				
<i>Summer School Savings</i>	2,926,055	1,426,055	1,426,055	0
<i>Unallocated Unit Share</i>	3,055,423	0	3,467,096	3,467,096
<i>Del Sol High School Contribution</i>	0	0	3,000,000	3,000,000
<i>Proposed On & Off Schedule Reserve</i>	0	8,752,529	0	(8,752,529)
<i>Proposed US Off Schedule Reserve</i>	0	2,735,639	0	(2,735,639)
<i>Proposed US H & W Contribution</i>	0	2,300,000	0	(2,300,000)
<i>2021-22 US Reserve</i>	0	1,998,243	0	(1,998,243)
<i>2022-23 US Reserve</i>	0	3,538,372	0	(3,538,372)
Total Reserves and Designations	18,179,001	34,066,985	23,232,991	(10,833,994)
Undesignated Balance	4,647,193	853,811	715,722	(138,089)
Ending Balance	\$ 22,826,194	\$ 34,920,796	\$ 23,948,713	\$ (10,972,083)

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 2023-24 and 2024-25. 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>2023-24</u>	<u>2024-25</u>
LCFF COLA	8.13%	3.54%
Enrollment	16,739	16,539
Unduplicated	11,438	11,302
Average Daily Attendance ADA	15,963.28	15,768.22
CalSTRS Employer Rate	19.10%	19.10%
CalPERS Employer Rate	27.00%	28.10%
Health & Welfare	3%	3%

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

Summary of Total Unrestricted and Restricted

	2022-23	2023-24	2024-25
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	080	110	130	215	250	251	352
Total Revenue	0	4,358,513	9,359,011	101,848	645,000	2,418,000	1,000
Total Expenditures	0	4,974,394	11,653,638	99,846,848	5,203,987	4,036,974	233,184
Excess/ (Deficiency)	0	(615,881)	(2,294,627)	(99,745,000)	(4,558,987)	(1,618,974)	(232,184)
Other Financing Sources	0	0	0	99,745,000	0	0	0
Net Inc/(Dec) to Fund Balance	0	(615,881)	(2,294,627)	0	(4,558,987)	(1,618,974)	(232,184)
Beginning Balance	2,086,991	615,881	6,570,726	0	5,647,283	2,409,792	232,184
Ending Balance	2,086,991	0	4,276,099	0	1,088,296	790,818	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	150,000	10,000	152	70,000	2,295,439	6,187,733	15,943,391	913
Total Expenditures	34,063,957	6,421,809	3,429,239	10,921,096	3,674,495	6,743,997	19,910,115	0
Excess/ (Deficiency)	(33,913,957)	(6,411,809)	(3,429,087)	(10,851,096)	(1,379,056)	(556,264)	(3,966,724)	913
Other Financing Sources	0	3,980,420	3,405,445	0	0	0	0	0
Net Inc/(Dec) to Fund Balance	(33,913,957)	(2,431,389)	(23,642)	(10,851,096)	(1,379,056)	(556,264)	(3,966,724)	913
Beginning Balance	33,913,957	2,431,389	23,642	10,851,096	3,643,831	6,844,467	15,153,099	62,016
Ending Balance	0	0	0	0	2,264,775	6,288,203	11,186,375	62,929

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 2022-23 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, 2023; will be able to meet current fiscal year obligations; and will be able to meet future years' financial obligations 2023-24 and 2024-25.

