



**OAKLAND UNIFIED
SCHOOL DISTRICT**

Community Schools, Thriving Students

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Budget Reduction Options for Fiscal Year 2018-19 and Multi- Year Budget Planning

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Presentation Summary

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- FY 2018-19 Preliminary Budget Update
- FY 2018-19 Board Reserve Target and Estimated Shortfall
- Proposed Strategies to meet the Reserve Shortfall
- Anticipated Impact of the June Budget Deal for OUSD
- 2018-19 through 2020-21 Multi-Year Outlook
- Recommendations and Next Steps

FY 2018-19

Preliminary Budget Proposal Summary

Unrestricted

Components (Unrestricted Only)	FY 2017-18 Estimated Actuals	June 20 FY 2018-19 Proposed Budget	Change
Revenues	\$412,460,554	\$440,973,246	\$25,324,008
Expenses	\$402,144,792	\$438,715,556	\$36,570,764
- Proposed Adjustments		(\$5,836,611)	(\$5,836,611)
- Proposed Reductions			
Net Increase (Decrease)	\$10,315,762	\$8,094,301	(\$2,221,461)
Other Sources/Uses			
Beginning Balance	\$3,420,073	\$5,597,721	\$2,177,649
Ending Balance before Reserve	\$13,735,835	\$13,692,022	(\$43,813)
Revolving Cash & Stores	\$8,138,113	\$150,000	(\$7,988,113)
General Fund Reserves	\$5,597,721	\$13,542,022	\$7,944,301
Reserve for Economic Uncertainty %	1.00%	2.5%	1.5%

FY 2018-19 Reserve Target and Estimated Shortfall

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- At the June 6, 2018 Board Meeting, the Board discussed and recommended to establish a reserve target of 2.5% for FY 2018-19 which at the time required \$9 million in reductions
- At the June 13, 2018 Board Meeting, the 2018-19 Preliminary Budget was updated resulting in an estimated \$5.5 million in reductions
- As of June 20, the Estimated Shortfall to achieve a 2.5% reserve for the FY 2018-19 Adopted Budget is **\$5.8 Million**

Option A: Possible Budget Reduction Strategies to Meet Estimated Shortfall

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Savings in Millions	Strategy
\$2 million	Reduce Positive Pay (Overtime, Extra-time, Classified Subs) Rationale: The introduction of Escape Finance System will allow tighter controls on overtime, extra-time, and classified subs
\$1.4 million	Eliminate Food Service Dinner Program Rationale: The Food Service Dinner program is losing money and Food Services currently offers after-school snack program
\$1 million	Reduce Workers Compensation Estimated Increase Rationale: Workers Comp. program budget was increased by \$1.9 million for FY 2018-19. Staff will undertake a review of the workers comp. program in FY 2018-19 to determine the appropriate level of increase.
\$4.4 Million	Reductions Sub-total

Option A: Cont. Possible Budget Reduction Strategies to Meet Estimated Shortfall

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Savings in Millions	Strategy
\$264,000	No Increase to Oakland Athletic League Rationale: Staff believes the program is adequately funded
\$450,000	*Reduce School Site budgets between \$10 to \$15 per Base Student Allocation Rationale: Equitably distribute the remaining shortfall across the board
\$686,000	*Reduce Central Office Budgets Rationale: Equitable distribute the remaining shortfall across the board
\$5.8 Million	Reductions Total

Option B: Possible Budget Reduction Strategies to Meet Estimated Shortfall

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Savings in Millions	Strategy
\$2.3 million	Reduce Positive Pay (Overtime, Extra-time, Classified Subs) Rationale: The introduction of Escape Finance System will allow tighter controls on overtime, extra-time, and classified subs
\$1.4 million	Eliminate Food Service Dinner Program Rationale: The Food Service Dinner program is losing money and Food Services currently offers after-school snack program
\$1 million	Reduce Workers Compensation Estimated Increase Rationale: Workers Comp. program budget was increased by \$1.9 million for FY 2018-19. Staff will undertake a review of the workers comp. program in FY 2018-19 to determine the appropriate level of increase.
\$4.7 Million	Reductions Total

Note: Reductions are adjusted due to a projected improvement in the budget based on the June Budget deal.

Projected Impacts from Legislature/Governor's Proposed June Budget Deal

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- ✗ **Additional \$407 Million** in on-going funds for Local Control Funding Formula equates to an estimated \$67 per ADA for OUSD or \$7.2 million over 3 Years
- ✗ **Reduction of \$1 billion** for discretionary one-time uses equals estimated \$172 per ADA resulting in a reduction of \$6 million for OUSD in FY 2018-19
- ✗ **Additional \$300 million** for low-performing students resulting in additional estimated one-time revenues between \$8 - \$10 mil. for OUSD

Implications of Proposed June Budget Deal for OUSD

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Description	2018-19	2019-20	2020-21
One-Time Discretionary	(\$6,000,000)		
LCFF Adjustment	\$2,400,000	\$2,400,000	\$2,400,000
One-Time for Low-Performing Students	\$8 - \$10 Mil Increase		
Total Estimated Revenue Adjustments – Proposed Deal	\$2.4M On-going & Btw. \$2M - \$4M One-time	\$2.4M On-going	\$2.4M on-going

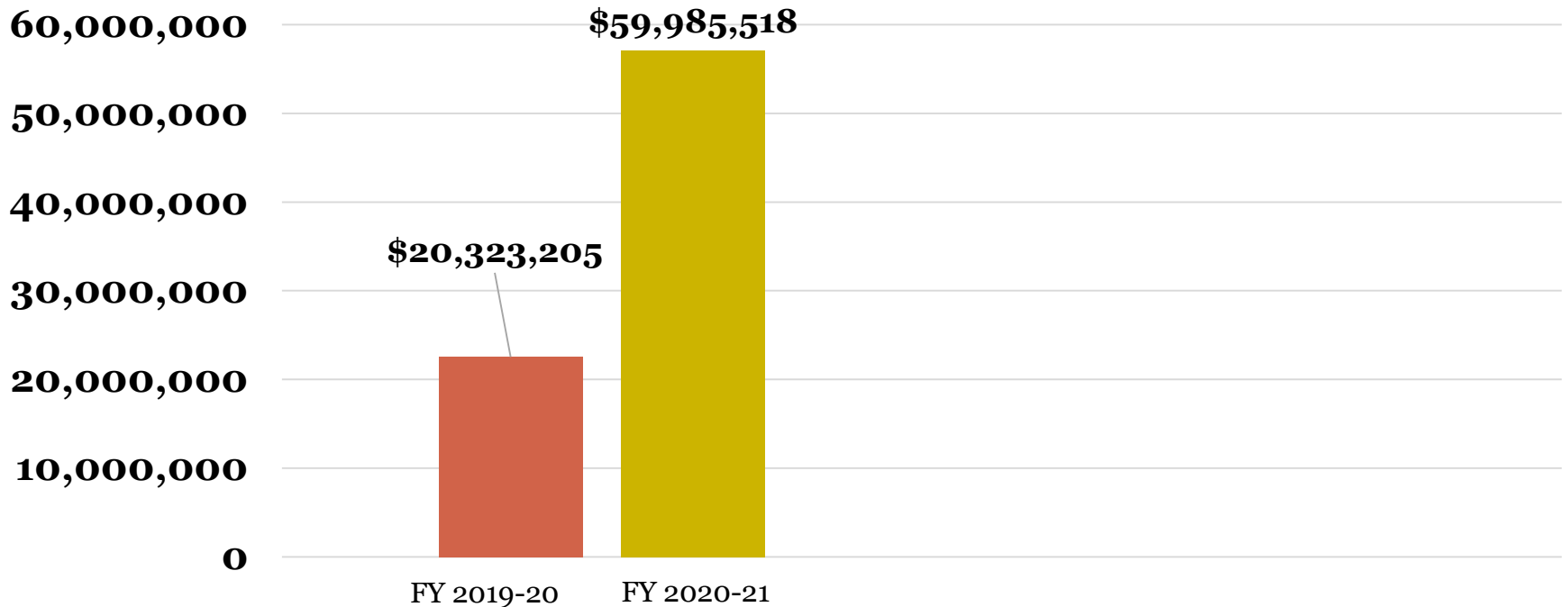
Note: *The District believes it can leverage the loss of one-time discretionary funds with LCFF on-going and estimated one-time funds from the low-performing students grant

FY 2018-19 Multi-Year Budget Summary - Unrestricted

Components (Unrestricted Only)	FY 2018-19	FY 2019-20	FY 2020-21
Revenues	\$440,973,246	\$434,798,415	\$441,114,276
Expenses	\$438,715,556	\$461,310,819	\$485,835,376
- June 27 Adjustments			
- June 27 Reductions	(\$5,836,611)	(\$9,913,063)	(\$5,836,611)
Net Increase (Decrease)	\$8,094,301	(\$16,599,341)	(\$38,884,489)
Other Sources/Uses			
Beginning Balance	\$5,597,721	\$13,692,022	(\$2,907,319)
Ending Balance before Reserve	\$13,692,022	(\$2,907,319)	(\$41,791,807)
Revolving Cash & Stores	150,000	\$150,000	\$150,000
General Fund Reserves	\$13,542,022	(\$3,057,319)	(\$41,941,807)
Reserve %	2.50%	(.53%)	(6.97%)

2020-21 FISCAL OUTLOOK AND PLANNING CONSIDERATIONS

OUSD Projected Budget Deficit



It is estimated that the budget deficit would grow to approximately \$20.3 million in FY 2019-20 and \$59.9 million in FY 2020-21 if no adjustments to the budget are made, driven primarily by declining enrollment, charter school growth, increased STRS and PERS pension costs, and special education growth. This expanding gap represents a serious challenge to OUSDs financial stability in the near term, one that insists upon immediate action today.

**FY 2018-19 Multi-Year Budget with Recommended Reductions to
Balance the Budget with 3% Reserve (with Approved Board Resolution)**

Components (Unrestricted Only)	FY 2018-19	FY 2019-20	FY 2020-21
Revenues	\$440,973,246	\$434,798,415	\$441,114,276
Expenses	\$438,715,556	\$461,311,148	\$485,835,705
Budget Reductions Required Beg. 2019-20	(\$5,836,611)	(\$39,913,063)	(\$35,836,611)
Net Increase (Decrease)	\$8,094,301	\$13,400,330	(\$8,884,818)
Other Sources/Uses			
Beginning Balance	\$5,597,721	\$13,692,022	\$27,092,352
Ending Balance before Reserve	5,735,835	\$27,092,352	\$18,207,534
Revolving Cash & Stores	\$150,000	\$150,000	\$150,000
General Fund Reserves F/17	\$13,542,022	\$26,942,352	\$18,057,534
Reserve %			
	2.5%	4.94%	3.16%

Immediate Action – Short-Term

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Option B: District staff recommends that 2018-19 reductions totaling \$4.7 million be implemented **excluding site and central office reductions totaling \$1.2 million and Increase to OAL**

Rationale: The District is estimating a slight increase in revenues between \$4 - \$6 million as a result of the June Budget deal which in addition to the \$4.7 million in reductions will enable the District to meet the Boards goal of a 2.5% reserve for FY 2018-19

Action Steps – Long-Term

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- The District will provide a resolution for Board Approval at the June 27 Board Meeting providing for Budget Reductions totaling \$30 million beginning in FY 2019-20 to balance the district's budget and provide for a 3% reserve beginning in FY 2020-21
- The District will work with the Governing Board and District Stakeholders to develop a timeline and process for engagement and decision-making in regard to planned reductions
- The District will continue to engage State lawmakers and Officials regarding any and all fiscal relief measures which can be taken in FY 2018-19 to avoid draconian cuts to the district's budget beginning in FY 2019-20

Next Steps

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- Final Adoption of the 2018-19 Budget and Local Control Accountability Plan by the Governing Board – June 27;
- State Adopts Budget – Date TBD
- School Services – School Finance and Management Conference – July 2018
- 45 Day Budget Revisions, if needed – August 2018
- 2017-18 Unaudited Actuals Presented to the Governing Board for Approval – September 2018

Questions or Comments