FCMAT
FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM
CSIS California School Information Services

July 2, 2018

L. Karen Monroe, Superintendent
Alameda County Office of Education
313 W. Winton Avenue
Hayward, CA 94544

Re: Oakland Unified School District – Phase II

Dear Superintendent Monroe:

On January 22, 2018, the Alameda County Office of Education and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide Oakland Unified School District with on-site technical assistance regarding the following:

Phase I

Review the district's 2017-18 general fund budget (and any other fund(s) requiring contributions from the general fund) and develop a consensus among the district, county office of education, and the district's consultant, West Ed, about budget assumptions, including the values of mid-year budget reductions, for the current year. Validate budgeted LCFF revenues using the FCMAT LCFF Calculator.

Using the validated budget assumptions, review the district's 2017-18 general fund cash forecast to determine whether the district has sufficient cash resources through June 2018 to meet the district's obligations.

Phase II

Once consensus has been reached in Phase I above, develop a general fund multiyear financial projection (MYFP) for the current and two subsequent fiscal years to validate the district's financial status using the Phase I budget as the baseline. Identify within the MYFP any structural budget deficits that must be addressed in order for the district to maintain financial solvency. The MYFP will be a snapshot in time and will be developed as a trend based on certain criteria and assumptions rather than a prediction of exact numbers. It will be developed for the district's general fund and will include the review and fiscal impact of other funds on the general fund.

FCMAT
Michael H. Fine , Chief Executive Officer
1300 17th Street - City Centre, Bakersfield, CA 93301-4533 • Telephone 661-636-4611 • Fax 661-636-4647
755 Baywood Drive, 2nd Floor, Petaluma, CA 94954 • Telephone: 707-775-2850 • Fax: 661-636-4647 • www.fcmat.org
Administrative Agent: Mary C. Barlow - Office of Kern County Superintendent of Schools

FCMAT posted its management letter containing the results of the study team's work regarding Phase I on June 8, 2018, which can be found at http://fcmat.org/wp-content/uploads/sites/4/2018/06/Alameda-COE-Oakland-USD-final-mgmt-letter-1229.pdf. The following management letter contains the results of FCMAT's study team's work regarding Phase II of this engagement.

Background

In late 2017, Oakland USD petitioned the California Department of Finance (DOF) to defer its remaining current year and budget year payments on the outstanding emergency appropriation (state loan) originally authorized in 2003 pursuant to Senate Bill 39 (Chapter 14/2003) (SB 39). The original state loan was for $100 million.

In 2006, a portion of the state loan was refinanced by the sale of I-Bank bonds of $59,565,000 (principal and accrued interest). After the refinancing, the state general fund portion of the loan was $35 million. The California Department of Education (CDE) reports that as of July 1, 2017, the district owes $39,238,464. The payment schedule for the I-Bank portion of the state loan is monthly, July through January, totaling approximately $3.8 million annually. The annual payment on the state general fund portion of the state loan is approximately $2.1 million, due in June. Payments are made through a State Controller's Office (SCO) intercept of the district's monthly principal apportionment.

In response to the district's petition for a deferral of payments on the state loan, the director of the DOF convened a meeting of stakeholders on December 14, 2017. FCMAT provided a brief overview of the August 15, 2017 fiscal health review of the district conducted at the district's request by FCMAT, in which FCMAT concluded that the district showed signs of fiscal distress.

Subsequently, on January 22, 2018, the Alameda County Office of Education and FCMAT entered into a study agreement for FCMAT to provide on-site technical assistance to the district wherein FCMAT was charged with the two phases of work noted above. FCMAT's engagement preceded the actual finalization of the study agreement and commenced on January 10, 2018.

The district provided FCMAT with a majority of the documents it requested; however, FCMAT encountered difficulty in obtaining all of the documents necessary for its work in Phase I. For further information on the sequence of events and their impact on the work in Phase I, please see the Phase I letter.

Prior FCMAT Work in Oakland USD

Consistent with practice, SB 39 directed that the Superintendent of Public Instruction assume all of the rights, duties, and powers of the governing board of the district. During this period of time, FCMAT conducted regular assessments of the district's operations that were documented in written status reports. FCMAT issued its last comprehensive review report on December 5, 2008 – its sixth in the series.

As previously noted, at the request of the district, FCMAT conducted a fiscal health review of the district in August 2017.

Current FCMAT Assignment – Phase II: Multiyear Financial Projection (MYFP)

Multiyear financial projections provide the board and district with a fiscal planning framework that will enable them to make budget decisions that strategically address current and future budget challenges. The objective is to ascertain whether the district's budget can demonstrate sufficient revenues annually to meet all expenditures without incurring a structural deficit for the current and two subsequent fiscal years. Many K-12 school districts face structural budget imbalances, and one-year budget cycles do not allow the most effective analysis to address multiyear issues.

Multiyear financial projections are required by Assembly Bill (AB) 1200 and AB 2756 and are part of the adoption budget and interim reporting process. When prepared with great detail and care based on generally accepted factors for reasonably estimating resources and commitments, the multiyear projection provides readers with the best perspective of the district's fiscal position and the ongoing effect of financial decisions made by the governing board.

Any forecast of financial data has inherent limitations because calculations are based on certain assumptions and criteria, including enrollment trends; cost-of-living increases; forecasts for costs for utilities, fuel and other consumables; and local, state and national economic conditions. Therefore, projections should be viewed as trends based on current criteria and assumptions rather than as a prediction of exact numbers.

The MYFP developed for this letter, a copy of which is attached as Appendix A, shows the imbalance created by the district's current pattern of spending. Both the current and two subsequent years, or projection years, indicate a continued historical pattern of a structural deficit that will not allow the district to be able to maintain its state required reserve requirement for either the current or the two subsequent fiscal years.

The chart on the following page reflects the district's historical pattern of revenues and expenditures as well as those that are contained in this MYFP.

FCMAT gathered the information contained in the chart below from the district's unaudited actuals as presented to its board through its board agendas. The county office compared the information in this chart to the information submitted by the district to the CDE, via the county office, and reported to FCMAT that there were discrepancies in the information for the 2011-12 and 2012-13 fiscal years. For fiscal year 2011-12, an additional $1,955,617.45 in unrestricted general fund revenues was reported to the CDE. For fiscal year 2012-13, an additional $1 million in unrestricted expenditures was reported to the CDE. FCMAT was unable to locate board agendas that reflected such changes having been approved by the board.

HISTORICAL REVENUES/EXPENDITURES

COMBINED

	11/12	12/13	13/14	14/15	15/16	16/17	17/18 (Est.)	18/19 (Est.)	19/20 (Est.)
Revenues	$ 420,100,333.84	$ 398,764,539.37	$ 414,219,404.65	$ 446,315,599.00	$ 523,501,842.47	$ 540,938,805.38	$ 543,584,652.78	$ 548,193,314.41	$ 542,438,291.75
Expenditures	$ 410,893,008.61	$ 409,985,910.31	$ 421,371,215.91	$ 442,529,515.37	$ 518,141,538.46	$ 552,358,510.07	$ 554,380,627.16	$ 569,973,553.17	$ 586,437,586.71
Increase/(Decrease) in Fund Balance	$ 9,207,325.23	$ (11,221,370.94)	$ (7,151,811.26)	$ 3,786,083.63	$ 5,360,304.01	$ (11,419,704.69)	$ (10,795,974.38)	$ (21,780,238.76)	$ (43,999,294.96)

UNRESTRICTED

	11/12	12/13	13/14	14/15	15/16	16/17	17/18 (Est.)	18/19 (Est.)	19/20 (Est.)
Revenues	$ 235,695,902.45	$ 229,118,581.30	$ 251,699,605.76	$ 277,546,181.25	$ 332,486,857.59	$ 341,844,491.20	$ 333,037,469.51	$ 349,596,521.80	$ 326,203,365.46
Expenditures	$ 229,935,147.02	$ 238,002,535.67	$ 260,031,310.85	$ 275,524,094.68	$ 336,790,294.64	$ 350,218,794.51	$ 352,075,878.16	$ 363,507,466.44	$ 372,937,384.99
Increase/(Decrease) in Fund Balance	$ 5,760,755.43	$ (8,883,954.37)	$ (8,331,705.09)	$ 2,022,086.57	$ (4,303,437.05)	$ (8,374,303.31)	$ (19,038,408.65)	$ (13,910,944.64)	$ (46,734,019.53)

RESTRICTED

	11/12	12/13	13/14	14/15	15/16	16/17	17/18 (Est.)	18/19 (Est.)	19/20 (Est.)
Revenues	$ 184,404,431.39	$ 169,645,958.07	$162,519,798.89	$ 168,769,417.75	$ 191,014,984.88	$ 199,094,314.18	$ 210,547,183.27	$ 198,596,792.61	$ 216,234,926.29
Expenditures	$ 180,957,861.59	$ 171,983,374.64	$161,339,905.06	$ 167,005,420.69	$ 181,351,243.82	$ 202,139,715.56	$ 202,304,749.00	$ 206,466,086.73	$ 213,500,201.72
Increase/(Decrease) in Fund Balance	$ 3,446,569.80	$ (2,337,416.57)	$ 1,179,893.83	$ 1,763,997.06	$ 9,663,741.06	$ (3,045,401.38)	$ 8,242,434.27	$ (7,869,294.12)	$ 2,734,724.57

Source: Oakland Unified School District's Unaudited Actuals financial statements as included in board agendas.

Deficit spending occurs when current year expenditures are greater than current year revenues. A budget deficit can be temporary or long-term, and can also include planned spending of district reserves. A structural deficit is a permanent imbalance in revenues and expenditures that can be eliminated only by increasing revenues or reducing spending on an ongoing basis.

As can be seen above, the MYFP shows that for the unrestricted side of the district's general fund, FCMAT is projecting a structural deficit for the current fiscal year and also in both projection years. FCMAT is projecting deficit spending for the restricted general fund budget in only the first subsequent year. In examining this pattern, it is essential to break the general fund into its unrestricted and restricted components so that the activities of one do not mask the impact of the other. Reviewing the unrestricted side of the budget shows a pattern of deficit spending that began in 2012-13 and, during the past five years, has seen only one year where deficit spending did not occur. FCMAT estimates that expenditures for 2017-18 will exceed those of the previous fiscal year by approximately $2 million despite the district's governing board having passed at least one resolution to attempt to reduce expenditures.

The district's current spending pattern eliminates its unrestricted fund balance in the current year and leaves the district in a troubling condition for its financial future, with negative fund balances escalating from approximately ($15.6) million in 2017-18 to ($76.3) million in 2019-20. So, while it appears by looking at the combined general fund that the district has a positive fund balance, the activities of the restricted side mask the problem within the unrestricted side.

It is crucial that the district develop strategic short- and long-term financial plans based on reasonable economic assumptions and implement those plans with a commitment to attaining fiscal solvency. Ongoing deficit spending without a fiscal solvency plan will increase the structural deficit and is fiscally irresponsible. Most other districts in the state have made the cuts necessary to live within their means. Oakland USD's board should make every effort to follow their example.

Planned deficit spending does occur. However, it should be the aberration and not the norm. Oakland USD has fallen into the pattern of deficit spending being the norm, which is why it is being termed a structural deficit. When unplanned deficit spending is identified, action toward balancing expenditures to match revenues should take place as soon as possible. Unplanned deficit spending does not improve with time, and the result of waiting to rectify the situation can be seen in the attached MYFP. Taking swift action helps to mitigate the extent of the reductions over time. In simple terms, if the savings needed is $9 in the second subsequent year, it is easier for all to accept at $3 for each of the current and two subsequent years – rather than a $9 reduction in the last year.

MYFP Method

Local educational agencies use many different software products to prepare MYFPs. For the district's MYFP, FCMAT used its web-based Budget Explorer MYFP software, which was designed for California school districts and is available free of charge.

Budget Explorer allows school districts to create and update financial projections by communicating with the state's Standardized Account Code Structure (SACS) software or importing data directly from a district's financial system. Its comprehensive modeling capabilities allow MYFPs to be produced efficiently, accurately and more rapidly than with spreadsheets. Budget Explorer can be used to make more informed budget decisions and include educational goals and objectives in several financial scenarios.

FCMAT MYFP Assumptions and Projection Rules

Conservative economic assumptions published by School Services of California in its Financial Projection Dartboard for the 2017-18 May Revision are included in FCMAT's MYFP and are listed in the following table.

Factor		2017-18	2018-19	2019-20
Statutory cost of living adjustment (COLA)		1.56%	2.71%	2.57%
COLA on state and local share only of Special Education, Child Nutrition, Foster Youth, American Indian Education Centers/ American Indian Early Childhood Education		1.56%	2.71%	2.57%
California CPI		3.37%	3.58%	3.36%
Interest Rate Trend for 10 Year Treasuries		2.52%	2.90%	3.05%
	Unrestricted per ADA	$146.00	$146.00	$146.00
California Lottery	-			-
	Restricted per ADA	$48.00	$48.00	$48.00
	Grades K-8 per ADA	$30.34	$31.16	$31.16
Mandated Block Grant (District)				
	Grades 9-12 per ADA	$58.25	$59.83	$59.83
One-Time Discretionary Funds per ADA		$147.00	$344.00	$0.00
CalPERS Employer Rate (projected)		15.531%	18.062%	20.80%
CalSTRS Employer Rate (statutory)		14.43%	16.28%	18.13%
Certificated Staff Step and Column		0.00%	1.50%	1.50%
Classified Staff Step and Column		0.00%	1.50%	1.50%
Health and Welfare Benefit Increase		0.00%	0.00%	2.00%

Enrollment, Unduplicated Pupil Count and Average Daily Attendance (ADA) Projections

Enrollment and ADA projections are essential components of any MYFP. The district's enrollment and ADA projections show declining enrollment for the 2018-19 and 2019-20 fiscal years. Enrollment projections help identify changes that may significantly affect an LEA's estimated revenue in subsequent years. When prepared in a timely manner, they also provide key information for determining instructional priorities, grade level configurations, or potential boundary changes. Enrollment projections need to be prepared frequently and with sufficient detail by grade level to monitor and project class sizes in subsequent years.

Historical enrollment and attendance patterns help identify potential changes in grade level enrollment in future years. The primary source of funding for LEAs comes from the Local Control Funding Formula (LCFF), which contains numerous calculations, many of which are based on student enrollment and ADA by grade level.

The district operates services for students in pre-kindergarten, transitional kindergarten and grades 1 through 12 at 83 school sites, according to the district's 2017-18 Schools Directory, as well as alternative education, special education and adult education programs at additional school sites with some programs at PK/TK/1-12 sites.

To project the district's enrollment, FCMAT used birth rates from zip codes in the city of Oakland to assist with enrollment numbers for TK and kindergarten in projection years. FCMAT then used the weighted average cohort survival method, which groups students by grade level on entry and tracks them through each year they stay in school. This method evaluates the longitudinal data on the number of students that pass from one grade to the next in the subsequent year. In doing so, it more closely accounts for retention, dropouts, and new and departing students by grade enrollment trends. The weight provides greater emphasis on more recent enrollment trends.

Ratios are calculated from historical enrollment data certified on the Fall 1 census date for the California Longitudinal Pupil Achievement Data System (CALPADS) to determine the enrollment retention ratio between any two grades. For example, if 100 students were certified as enrolled in first grade in 2013-14 and that number increased to 104 in second grade in 2014-15, the survival would be 1.04, or a ratio of 1-to-1.04 for each 2013-14 student. Such ratios are calculated between each pair of grades over a five-year historical period then weighted with a factor of one to four, with one assigned to the earliest and four assigned to the latest enrollment trends. For example, a ratio of 1.04 between 2013-14 and 2014-15 has less impact on the enrollment projection than a ratio of 1.04 between 2016-17 and 2017-18. Without the weight, trends from the earliest years could overly influence projections. The ratios are key factors in the reliability of the projections given the validity of the data at the starting point.

To project the district's unduplicated pupil count (UPC) and ADA, FCMAT applied the weighted average method comparing either the UPC or ADA to historical and projected enrollment. This method evaluates the longitudinal data on the number of students identified per the UPC guidelines and retention of student attendance when compared to enrollment. The projection calculation for UPC and ADA is the same, with only the grade spans differing. UPC is based on one grade span of grades TK through 12. ADA is based on four grade spans: TK through 3, 4 through 6, 7 through 8 and 9 through 12.

Comparison ratios are calculated from historical enrollment certified on the Fall 1 census date for the CALPADS and UPC and ADA certified on the most recently available exhibits from the CDE's Principal Apportionment system. For example, if 1,000 students were enrolled at the district in 2013-14 and 770 of those students were identified per the UPC guidelines, the ratio would be .77, or 77% of enrolled students were identified as disadvantaged pupils. Similarly, if 100 students were enrolled in grades TK-3 in 2013-14 and the ADA for grades TK-3 in 2013-14 was 83%, the retention ratio would be .83, or on average students in grades TK-3 attended class 83% of the school year. The comparison ratios were then weighted with a factor of one to five, with one assigned to the earliest and five assigned to the latest ratio. Without the weight, trends from the earliest years could overly influence projections.

Revenue and Expenditure Assumptions

As noted above, the base budget year for FCMAT's MYFP was the work that was performed in Phase I. Rather than duplicate the information contained in that letter regarding how the budget for the 2017-18 base year was generated, please refer to the Phase I letter located at http://fcmat.org/wp-content/uploads/sites/4/2018/06/Alameda-COE-Oakland-USD-final-mgmt-letter-1229.pdf . The discussion that follows primarily relates to the two subsequent years, or projection years.

FCMAT prepared its MYFP to include the impact of the state's 2017-18 enacted budget and 2018-19 proposed budget, updated in the May Revision of 2018. Assumptions include conservative economic factors projected using School Services of California's Financial Dartboard in the May Revision, and assumptions, estimates and changes are described by major object code below.

Revenue Assumptions (Object 8XXX):

Local Control Funding Formula Sources (8010-8099)

The LCFF was implemented by the California Department of Education (CDE) beginning with the 2013-14 fiscal year and replaced the former revenue limit calculation and charter school block grant state apportionment distribution. The LCFF provides the following:

- A base per-pupil grant that varies by grade level.
- Supplemental funding that provides an additional 20% of the per-pupil base grant multiplied by unduplicated percentage of targeted disadvantaged pupils. Targeted pupils are those classified as English learners, those who qualify for free or reduced-price meals, and foster youth.
- An additional 50% of the base grant multiplied by the percentage of targeted disadvantaged pupils in excess of 55% of total enrollment.

Many state categorical programs were eliminated when the LCFF was implemented, and the related funding was redirected to support the LCFF. Full implementation of the LCFF was expected to take eight years, with districts receiving a transitional level of funding during implementation; however, it is probable that the LCFF will be fully funded with the passage of the 2018-19 state budget. A target level of funding is determined using the above formula, and a floor level of funding is computed using 2012-13 revenue limit funding (or charter school block grant) rates multiplied by current-year funded ADA. LCFF transition funding is calculated yearly, and funding during the phase-in period is based on the difference between each LEA's floor funding and its target funding. This difference is referred to as the remaining need. An LEA that has not reached the target level of funding receives a gap percentage of the remaining need, determined by how much is appropriated in the state budget. The floor is recalculated each year and increased to include the prior year gap funding adjusted for current year ADA.

Districts are advised to use the FCMAT LCFF Calculator for estimating funding from the LCFF. The district has not reached its funding target, which means it receives additional gap funding as well as the annual cost of living adjustment (COLA), which is added to the base grade span funding rates.

Two issues identified when calculating 2017-18 LCFF revenues in Phase I of this engagement continue to affect the estimate of multiyear projected LCFF revenues. In FCMAT's analysis of attendance information, it was noted that a group of students was associated with the district's young adult program within its special education program. Those students were being accounted for as ungraded students in the district's attendance system. Ungraded students are not eligible for inclusion in the district's ADA calculation that is then used in the LCFF calculator. LCFF revenues provide the district with most of its revenues, and the district may be inadvertently missing a portion of the LCFF revenues because it has ungraded students. When projecting this group of students, the estimate was maintained with no growth or decline.

Education Code 42238.051(a)(2) directs the calculation and funding of students that transfer between charter schools and sponsoring school districts. This transfer creates a decrease in LCFF revenue when the sponsoring school district is in declining enrollment. The code specifies that the amount of the attendance counted for any pupil may not be greater than the attendance claimed for that pupil by the school district or charter school in the prior year. The district does not calculate the transfer of students between sponsored charter schools on a per-pupil ADA basis. Instead, the district compares enrollment data on a per-pupil basis periodically over the year and estimates ADA as the district's retention percentage between enrollment and ADA. This method may cause LCFF funding to be overstated or understated in years where the district is in declining enrollment, which is not the case for 2017-18. Based on the district's CALPADS information, enrollment has increased by 288 students since the prior year. In projecting the charter shift, the estimate was maintained with no growth or decline.

For most districts, the LCFF entitlement is funded through a combination of local property taxes and state aid. A district's property tax will first be applied toward the total LCFF entitlement, and the balance is funded through state aid. Prop. 30, passed in 2012, temporarily added a quarter-cent sales tax and increased state income tax rates on high-income taxpayers.

Additional state revenues are deposited into a state account called the Education Protection Account (EPA), and are then distributed to school districts, charter schools and community colleges. The sales tax increase expired in 2016; the income tax increase was initially set to expire in 2018, but Prop. 55, which passed in 2016, extended it through 2030. It is unknown at this time what impact the expiration of the sales tax will have on EPA funding; however, the overall impact of increasing or decreasing EPA funding in the subsequent years would be a shift between budget objects. For example, an increase in EPA State Aid (object 8012) would result in an equivalent decrease in LCFF State Aid (object 8011) and vice versa.

Because of the cyclical nature of property values, property taxes are highly volatile revenues and thus difficult to project with certainty; they can undergo dramatic fluctuations from year to year. Projections of property tax revenues are based on estimates received from the tax assessor's office, but final numbers are not known until after the end of the fiscal year. In forecasting the district's property tax revenues, FCMAT used the 2015-16 to 2019-20 city of Oakland Five-Year Financial Forecast, which shows property taxes increasing in 2018-19 by 4.01% and in 2019-20 by 3.02%. Recent estimates shown on Zillow.com reflect a 12.6% increase from March 2017 and an anticipated increase of 6.3% to March 2019. FCMAT used a more conservative 4%; however, the overall impact of increasing the property taxes in the subsequent years would be a shift between budget objects (increasing property tax and decreasing LCFF State Aid 8011 and EPA State Aid 8012).

FCMAT prepared independent LCFF calculations for the district using the most current version of the FCMAT LCFF Calculator at the time of preparation. The calculator contained the updated gap percentages in the Governor's 2018-19 budget proposal and School Services of California's Financial Dartboard.

The following comparison of funding and assumptions for fiscal years 2018-19 and 2019-20 is based on the LCFF Calculator projection submitted by the district on April 17, 2018. The total LCFF revenue projected in the calculator is in alignment with the 2017-18 second interim report. An updated estimate may have been generated by the district for third interim. While FCMAT was able to view the district's third interim report through its board agenda online, there was no copy of an updated LCFF calculator projection.

FCMAT estimates that the district will receive slightly increased LCFF funding in 2018-19 and 2019-20 when compared to the district's second interim report. This increase is due to the updated COLA estimates included in FCMAT's calculator. ADA is projected to be lower than district estimates by approximately 2.19% over the two-year period. Additionally, FCMAT estimates that the district will experience a large decrease, 1,885.82 fewer ADA, for the 9-12 grade span in 2019-20. The 9-12 grade span receives an additional 2.6% of funding under the LCFF and is the second highest funding grade span next to the TK-3 grade span. Overstatement of either of these two grade spans will have a more significant negative impact on the district's funding as compared to the 4-6 or 7-8 grade spans. In summary, if the updated

COLA impact was eliminated from the FCMAT estimate, comparison would show that the district's estimates for 2018-19 and 2019-20 are overstated.

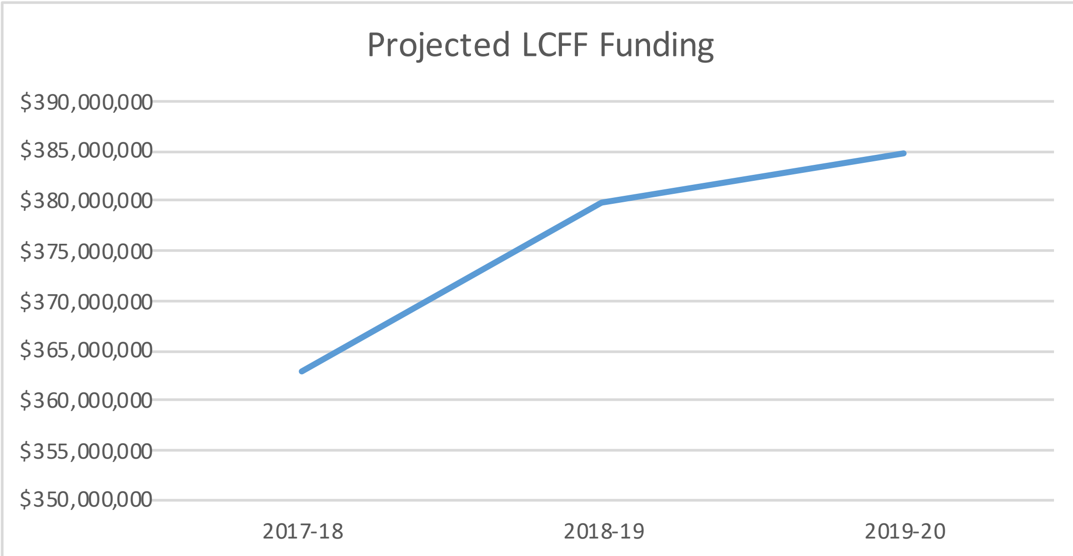
	District	FCMAT	Variance	
2018-19 LCFF Funding	**$377,593,451**	**$379,943,905**	**$2,350,454**	**0.62%**
Major Assumptions:				
COLA	2.51%	3.00%	0.49%	19.52%
Enrollment	36,870	36,942	72	0.20%
UPC	28,514	28,604	90	0.32%
ADA	34,918.62	34,877.26	(41.36)	-0.12%
Grades TK-3	*12,995.65*	*13,081.85*	*86.20*	
Grades 4-6	*8,423.91*	*8,283.66*	*(140.25)*	
Grades 7-8	*4,493.31*	*4,606.10*	*112.79*	
Grades 9-12	*9,005.75*	*8,905.65*	*(100.10)*	

	District	FCMAT	Variance		Cumulative	
2019-20 LCFF Funding	**$382,977,450**	**$384,785,970**	**$1,808,520**	**0.47%**	**$4,158,974**	**0.55%**
Major Assumptions:						
COLA	2.41%	2.57%	0.16%	6.64%	0.65%	13.21%
Enrollment	36,470	36,891	421	1.15%	493	0.67%
UPC	28,364	28,567	203	0.72%	293	0.52%
ADA	34,537.68	33,057.65	(1,480.03)	-4.29%	(1,521.39)	-2.19%
Grades TK-3	*12,853.27*	*13,246.02*	*392.75*		*478.95*	
Grades 4-6	*8,331.82*	*8,175.50*	*(156.32)*		*(296.57)*	
Grades 7-8	*4,444.40*	*4,613.76*	*169.36*		*282.15*	
Grades 9-12	*8,908.19*	*7,022.37*	*(1,885.82)*		*(1,985.92)*	

FCMAT's enrollment projections are more conservative than what the district used for its estimated ADA in its 2017-18 third interim report. The FCMAT MYFP projects 146.72 fewer ADA in 2017-18. It is unknown how the district's projected ADA differs from FCMAT's because those assumptions were not included in either the 2017-18 second or third interim reports.

Based on these assumptions, FCMAT projects LCFF revenues to increase slightly in each of the two subsequent fiscal years of the projection because of the COLA, gap funding, entitlement factors per ADA for supplemental and concentration grants, and other factors.

	2017-18	2018-19	2019-20
LCFF Funding	$362,909,365	$379,943,905	$384,785,970



Federal Revenue (8100-8299)

Federal funding for 2017-18 includes carryover, if applicable, from the district's 2016-17 Form CAT. However, for projection years, unearned revenues and/or carryover were eliminated. Other federal revenue funding was left at current year amounts.

Other State Revenue (8300-8599)

Unearned revenues and/or carryover balances are also included in the base year budget. Most state resources were left at current year amounts primarily because their grants do not allow for increases in funding. However, COLA was applied to state apportionment for special education, special education mental health, special education workability funding, and resources 6500, 6512 and 6520, respectively.

The district participates in the Mandated Block Grant, and funding was applied on a per-ADA basis in accordance with the projection rules referenced above.

Lottery funds, both unrestricted and restricted, were also estimated on a per-ADA basis in accordance with the projection rules referenced above.

Unlike with FCMAT's work in Phase I, FCMAT included the STRS on-behalf pension contribution of $10,653,833 in other state revenue.

In the projection years, unearned revenues and/or carryover were eliminated. Funding for the 2017-18 one-time discretionary grant and the Prop. 39 – California Clean Energy Jobs Act was eliminated in the projection years. Funding for the proposed 2018-19 one-time discretionary grant of $344 per ADA was included in the budget for 2018-19 but was eliminated for the subsequent year.

Other Local Revenue (8600-8799)

The district receives local revenues for items such as parcel taxes, redevelopment funds, interest earnings, charter oversight fees, rents and leases of buildings, e-rate donations and other miscellaneous items. Because these revenues cannot be guaranteed year to year, budgets and MYFPs for these items should be conservative, should take into account historical trend data and should identify revenue streams that are one-time. These budget items also need to be monitored and updated throughout the year based on amounts received to date.

FCMAT adjusted various local revenue amounts based on the amount received from prior year with the exception of the redevelopment funds. For that revenue stream, FCMAT was able to obtain projection year estimates from Public Economics, Inc.

Contributions (8980-8990)

Encroachment (sometimes also called contributions) occurs when restricted programs require money from the unrestricted general fund to support program expenditures. Programs that require a general fund contribution can be reduced or in some cases eliminated altogether.

Normally, in preparing an MYFP and when restricted resource expenditure budgets exceeded projected revenue in the second and third year of the projection, FCMAT will first reduce expenditures in the 4XXX object code series. If a shortfall remained, FCMAT reduced expenditures in the 5XXX object code range; no reductions were made in salary and benefit budgets. A contribution from the unrestricted resource would then be made to balance any restricted resource for which expenditures still exceeded revenue after these adjustments. The special education and RRMA programs are normally exceptions to this process. However, as was discussed in the Phase I letter, the district's governing board does not appear to be taking significant measures to reduce restricted expenditures. As a result, FCMAT cannot be certain that cost reduction measures would be taken to reduce restricted expenditures to avoid further encroachment. Implementation of such an assumption would produce an overly optimistic financial picture, and FCMAT's task was to provide the district with areas where structural budget deficits exist that must be addressed for the district to maintain fiscal solvency. Consequently, projection year budgets assume no cost reduction measures are implemented.

The district has approximately 42 federal and state programs that use restricted funding. Not including the routine restricted maintenance account (RRMA), 18 programs require a contribution from the district's unrestricted fund in the budget and/or projection years. The table on the next page shows the programs that are projected to require a contribution.

Name	Resource	Amount 17/18	Amount 18/19	Amount 19/20
Unrestricted Resources				
Unrestricted General Fund	0000	$ (76,763,840.08)	$ (82,764,067.38)	$ (99,531,753.57)
Total Unrestricted		$ (76,763,840.08)	$ (82,764,067.38)	$ (99,531,753.57)
Restricted Resources				
Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	3310	$ 96,318.15	$ -	$ 6,324.65
Special Education: IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	3312	$ 18,193.11	$ 190,770.59	$ 402,479.36
Special Ed: IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	3327	$ 1,697.01	$ 24,630.87	$ 56,139.76
Department of Rehabilitation: Workability II, Transitions Partnership Program	3410	$ 28,115.80	$ 32,764.06	$ 44,792.04
NCLB: Title II, Part A, Administrator Training (Formerly Principal Training)	4036	$ 408.69	$ 17,708.26	$ 17,973.89
NCLB: Title II, Part D, Enhancing Education Through Technology	4046	$ 222.75	$ 13,042.56	$ 13,344.42
ESEA: Title IV, Part B, 21st Century Community Learning Centers (CCLC)	4124	$ 966,933.17	$ 1,636,508.56	$ 2,113,171.33
Dept of Health Care Services (DHCS): Medi-Cal Billing Option	5640	$ 421,832.59	$ 1,156,084.42	$ 1,214,552.60
Other Federal Restricted Programs	5810	$ -	$ 74,318.73	$ 957,821.91
After School Education and Safety (ASES)	6010	$ 1,148,873.37	$ 1,706,713.48	$ 2,351,716.59
Educator Effectiveness	6264	$ -	$ 732,711.44	$ 1,286,684.01
Lottery: Instructional Materials	6300	$ 985,506.61	$ 993,485.19	$ 1,017,403.22
California Partnership Academies (CPA): Clean Technology and Renewable Energy	6386	$ 323,863.25	$ 542,687.89	$ 560,521.64
Special Education Apportionment	6500	$ 58,895,674.63	$ 60,101,379.21	$ 62,299,758.02
Tobacco Use Prevention Education (TUPE): Grades Six through Twelve	6690	$ -	$ 171,137.72	$ 203,925.96
College Readiness Block Grant	7338	$ 68,543.39	$ 446,788.98	$ 457,129.39
Ongoing & Major Maintenance: Restricted Maintenance Account (RMA)	8150	$ 13,807,657.56	$ 13,983,267.98	$ 14,400,928.16
Other Local Resricted Programs	9010	$ -	$ 940,067.44	$ 12,127,086.62
Total Restricted		$ 76,763,840.08	$ 82,764,067.38	$ 99,531,753.57
Balance		$ -	$ -	$ -

The district will need to continue to review all contributions from its unrestricted general fund and ensure that restricted programs are self-sustaining. The only exceptions should be RRMA and special education. Special education typically receives insufficient state and federal funding, and restricted maintenance receives no specific state and federal funding.

Providing funding for services to special education students is an ongoing challenge for school districts statewide. Districts are faced with increasing differences between federal and state government funding and the mandated costs for these essential student services. Neither state nor federal funding is designed to support a standalone program; they supplement the general education program. Therefore, the combined state and federal financial resources are insufficient to cover even the most efficient special education programs. Local districts must transfer funding from their unrestricted general funds, dollars generated by all students, to pay for the portion of special education costs that exceeds program revenues. However, it is growing at a rate that is larger than the consumer price index (CPI). CPI for the 2016-17 fiscal year, as reported by the School Services of California dashboard, was 2.63%. Oakland's increase in encroachment for the 2016-17 year was 9.47% – an increase from $51,534,414.43 in 2015-16 to $56,412,591 in 2016-17. CPI for the 2017-18 year is reported at 3.37%, and it is estimated that Oakland's special education encroachment will be $58,895,674.63 or an increase of 4.4%. With the special education encroachment encompassing approximately 77% of the total encroachment generated by all programs, it could be of significant benefit for the district to carefully review this program to ensure that funding is being used effectively.

Although it has a structural deficit in its unrestricted general fund in all three years of the MYFP, the district carried over a little more than $20 million in its restricted general fund in all three years. Categorical funds are intended to provide resources for additional support services to students, so this large carryover amount indicates that the district may not have maximized the use of these dollars. Careful analysis and planning regarding the use of restricted dollars is essential to help offset budget reductions. If in-house expertise is lacking in this area, it would benefit the district to seek help from the Alameda COE or other independent sources.

While FCMAT has assumed in this MYFP that the district has not reduced expenditures in restricted resources in parallel with reductions in revenues, if that assumption were reversed and the only contributions the district had were to special education and RRMA, contributions could be reduced by approximately $4.0 million, $8.7 million and $22.8 million in 2017-18, 2018-19 and 2019-20, respectively. Eliminating these contributions would significantly reduce the deficit spending occurring in the unrestricted general fund.

Expenditure Assumptions (Object Codes 1XXX-7999)

Salary and Benefits (1XXX-3XXX)

Certificated Salaries (1XXX)

As was discussed in the Phase I letter, FCMAT used a mathematical formula to estimate certificated salaries for the base year, and the total of that calculation was used in Phase 1 for the cash flow. For the unrestricted side, the difference between FCMAT's calculation and the district's budgeted amount from its 2017-18 second interim report for this category was placed into a separate resource to balance to FCMAT's calculations. For the restricted side, FCMAT needed to allocate the difference to each resource and 1XXX object code. To accomplish that goal, the percentage difference was calculated and then applied to each object code within a restricted resource.

The FCMAT MYFP includes ongoing step and/or column costs of 1.5% each year. FCMAT's review of district governing board agendas and minutes through April 28, 2018 did not reveal additional collective bargaining settlements and, as a result, no additional amounts are included in the projection years for such items.

Classified Salaries (2XXX)

As was discussed in the Phase I letter, FCMAT used a mathematical formula to estimate classified salaries for the base year, and the total of that calculation was used in Phase 1 for the cash flow. For the unrestricted side, the difference between FCMAT's calculation and the district's budgeted amount from its 2017-18 second interim report for this category was placed into a separate resource to balance to FCMAT's calculations. For the restricted side, FCMAT needed to allocate the difference to each resource and 2XXX object code. To accomplish that goal, the percentage difference was calculated and then applied to each object code within a restricted resource.

The FCMAT MYFP includes ongoing step and/or column costs of 1.5% each year. FCMAT's review of district governing board agendas and minutes through April 28, 2018 did not reveal additional collective bargaining settlements and, as a result, no additional amounts are included in the projection years for such items.

On April 11, 2018, the district's governing board approved a resolution to implement a reduction in workforce of 109.87 FTE in classified positions. That same resolution added positions totaling 54.74 FTE, producing the net effect of a reduction of 55.13 FTE. That board item also included the following statement: "Although employees affected by the reduction or elimination of positions will receive layoff notices, some may retain District employment by being reassigned as permitted by the Education Code. In addition, other positions may be created to meet student needs and affected employees may be reassigned into newly created positions, if eligible." Given the fluidity of this language, there is no clear intent for a reduction in staffing. As a result, none has been included in the projection years.

Benefits (3XXX)

- All benefits were adjusted proportionally to increases or decreases in salaries.
- Health and welfare benefits were increased by 0% in 2018-19 and 2.0% in 2019-20. These increases are based on FCMAT's conversations with Self-Insured Schools of California (SISC). SISC reported that there was no increase in health and welfare premiums for many districts for the 2018-19 fiscal year. Some districts, including some in the Bay Area, received decreases in premiums. Those that saw increases were reported to have an average increase in the 1.0%-2.0% range. Rate increases are released annually. Consequently, there is no way to predict what increases in rates will occur for 2019-20. FCMAT used the upper 2.0% increase from the 2018-19 year as its estimate for premium increases in 2019-20.
- California State Teachers' Retirement System (CalSTRS) employer rates were increased to 14.43% for 2017-18, 16.28% for 2018-19 and 18.13% for 2019-20.
- California Public Employees' Retirement System (CalPERS) employer rates were increased to 15.531% for 2017-18, 18.062% for 2018-19 and 20.8% for 2019-20.

Books and Supplies (4XXX)

FCMAT's Phase I analysis of these expenditures was at the unrestricted/restricted object level. For the unrestricted side, the difference between FCMAT's calculation and the district's budgeted amount from its 2017-18 second interim report for this category was adjusted by object within the general fund unrestricted 0000 resource. For the restricted side, FCMAT's estimate of each object was allocated by resource in proportion to the district's total prior year expenditure.

The FCMAT MYFP for the projection years includes adjustments based on the CPI inflation factor listed in the projection rules above.

Services and Other Operating Expenditures (5XXX)

FCMAT's Phase I analysis of these expenditures was at the unrestricted/restricted object level. For the unrestricted side, the difference between FCMAT's calculation and the district's budgeted amount from its 2017-18 second interim report for this category was adjusted by object within the general fund unrestricted 0000 resource. For the restricted side, FCMAT's estimate of each object was allocated by resource in proportion to the district's total prior year expenditure.

The FCMAT MYFP for the projection years includes adjustments based on the CPI inflation factor listed in the projection rules above with the exception of the following objects:

- Utilities, Object 5520: FCMAT utilized a 10% annual increase in the projection years based on the increase between the prior year and the MYFP base year.
- Special Ed Expenditures: In objects where special education expenditures were particularly prominent, such as subagreements (object 5100), nonpublic agency contracts (object 5824), consultants (object 5825), nonpublic school contracts (object 5827) and contracted services (object 5830), FCMAT utilized a 7% annual increase driven by a trend of special education expenses increasing at a rate much larger than CPI.
- Rentals-Facility, Object 5624: FCMAT transferred district office parking and shuttle expenditures from the self-insurance fund (Fund 67) back to the general fund.
- Licensing Agreements, Object 5846: FCMAT eliminated $1,129,500 in one-time expenditures from 2017-18 related to the district's information technology conversion in the projection years.
- Consultants, Object 5825: FCMAT eliminated transfers for legal expenditures to the self-insurance fund (Fund 67).

Capital Outlay (6XXX)

After elimination of one-time expenditures from the base year, the FCMAT MYFP for projection years includes adjustments based on the CPI inflation factor listed in the projection rules above.

Other Outgo (7000-7299)

The expenditures in this category were related to tuition to the county office as well as special schools. Consequently, a 7% annual increase was used for the projection years.

Direct Support/Indirect Costs (7300-7399)

Indirect costs were adjusted based on the CDE's approved district rate of 5.59% for 2017-18 and 3.98% for both 2018-19 and 2019-20. The maximum allowable rate for each restricted program was applied in the current and subsequent years.

Debt Service (7400-7499)

This category reflects the district's state loan payment. FCMAT utilized the amortization schedules provided by the county office for both projection years.

Interfund Transfers (8919 and 7619)

Other Authorized Interfund Transfers In (8919)

The district's 2017-18 second interim report includes a transfer into the general fund from other funds related to a prior year reimbursement that was assumed to be a one-time event.

Other Authorized Interfund Transfers Out (7619)

As was discussed in the Phase I letter, even though the district's second interim report did not include a transfer from the general fund to the child development fund (Fund 12), based on the past five years of requiring same, it was also assumed that the transfer would continue to be needed in the projection years. Transfers for the projection years also included the CPI inflation factor as listed in the projection rules above.

The projection years include a transfer from the general fund to the cafeteria fund (Fund 13), which includes the CPI inflation factor as listed in the projection rules above.

The Phase I letter discussed the funds that the general fund owes back to the self-insurance fund (Fund 67) as well as potential amounts owed back to other funds. The district's 2017-18 second interim report reflected a $2.0 million assigned amount in its fund balance for the purpose of repayment. Its 2017-18 third interim report reflected a $5.0 million assigned amount in its fund balance. Taking a conservative approach, FCMAT has used the $2.0 million for the projection years; however, FCMAT has shown this as a transfer out of the general fund (object 7619) as opposed to an assignment of fund balance to more accurately reflect the intent of the district's repayment plan.

During the Phase II process, FCMAT was provided with documentation that showed that costs for several district construction projects could potentially exceed their projected budget. Should these projects move forward without adjustment to their scope and reduction of their cost, the result could potentially create insufficient funds within the fund budgeting their cost and, ultimately, create another liability in the general fund to cover these projects.

Revenue Increases and Expenditure Reductions

Many districts freeze hiring/spending during difficult financial situations. The key to implementing a hiring/spending freeze is to do so immediately and without exception for unrestricted general fund expenditures, excluding health and safety issues. Spending of restricted program funding may need to continue because many resources include deadlines by which all funds must be expended or returned to grantor.

Staffing expenses account for the majority of every school agency's budget. The district's staffing expenses represent approximately 76% of combined general fund expenditures and approximately 81% of the unrestricted general fund expenditures in all years of the MYFP. While these are under the average ratios for unified districts, the district still should review its staffing ratios at least annually to ensure it is being cost effective in this area. If the district does not have staffing ratios, they should be developed, approved by the governing board and adhered to. Even staffing ratios that are already in place should be reviewed periodically to ensure they are within industry averages.

Along the lines of staffing ratios, the district should also analyze the number of students being served at each of its school sites to determine if adjustments could be made to the number of sites it serves.

Implementing purchase order (PO) cut-off dates can help reduce spending and make it easier to estimate the ending fund balances and reserves. The PO cut-off dates should include all expenditures from all funding sources and should be early enough in the year (normally in March and April) that a thorough review of each resource can be made to ensure that all restricted resource expenditure deadlines are met. It would benefit the district to consider implementing spending freezes and/or PO cut-off dates each year.

FCMAT noted that many of the district's restricted programs are not being charged their full share of indirect costs, including programs such as special education and routine restricted maintenance. The district needs to calculate and charge the full indirect cost rate to all allowable restricted programs to show the true cost of each program and maximize unrestricted resources, and to alleviate the burden of costs on the unrestricted side of the general fund.

As noted above, the district needs to carefully monitor its restricted program expenditures to avoid over-spending that increases dependence on the unrestricted general fund.

Subsequent Event

This MYFP was based on the assumptions generated from the governor's May Revision. Since that time, the 2018-19 state budget approved by the Legislature and budget trailer bills that are being presented to the governor for signature contain content that differs from the May Revision. Those differences have not yet been signed into law by the governor but, should they be enacted as they are currently outlined, would include the following:

- Full funding of the LCFF
- Revision of the 2018-19 COLA from 2.71% to 3.7%
- A downward revision of the one-time discretionary funds from $344 per ADA to approximately $184 per ADA, with the potential of a further reduction based on the results on the district's Medi-Cal Administrative Activities and Medi-Cal audit findings

FCMAT has not quantified the effect of these changes nor included them in the MYFP.

Recommendations

The district should:

1. Develop strategic short- and long-term financial plans based on reasonable economic assumptions and implement those plans with a commitment to attaining fiscal solvency.
2. Adopt a budget and MYFPs that eliminate the structural deficit to prevent future fiscal insolvency.
3. Ensure that MYFPs are kept up to date and that the projections are accurate and based on the most current budget assumptions.
4. Monitor and project student enrollment and ADA at each reporting period to ensure that the most recent data is included in the budget assumptions.
5. Ensure that ungraded students are reviewed for inclusion in the district's ADA calculation and, ultimately, in the LCFF calculator.
6. Develop a sample testing method to more accurately quantify the students to be included in the charter student shift calculation.
7. Compare unduplicated pupil counts and enrollment numbers reported by the CDE at each reporting period to ensure they agree with the district's CALPADS totals.
8. Update revenue budgets throughout the year to ensure they match information provided by the CDE and by award letters.
9. Recognize unearned revenue in the current year budget upon completion of the prior year unaudited actuals, and ensure that unearned revenue is not included in the subsequent two years of the MYFP.

10. Be conservative when budgeting amounts for local revenue, and update the budget throughout the year as needed to account for year-to-date receipts.
11. Review contributions to restricted programs and ensure that these programs are self-sustaining, except for restricted maintenance and special education.
12. Review contributions to other funds and ensure that the other funds are self-sustaining.
13. Continually report at board meetings the need for and causes of budget adjustments and how they affect the ending fund balance.
14. Continually review and monitor certificated staff assignments and class sizes, and classified staffing and assignments, to ensure staffing levels are appropriate and cost effective.
15. Make a plan to use restricted dollars in the year they are received. If in-house staff are unsure how to spend the dollars, seek help from the Alameda COE or other independent sources.
16. Consider reviewing the special education program to ensure that funding is being used effectively.
17. Consider implementing a hiring/spending freeze and implementing it without exception for unrestricted general fund expenditures, excluding health and safety issues.
18. Ensure that all programs are charged the maximum allowable indirect cost rate.

FCMAT would like to thank the Alameda County Office of Education and Oakland Unified School District staff for their cooperation and assistance in this review.

Sincerely,

Julie Auvil, CPA, CGMA, CICA
Intervention Specialist

OAKLAND UNIFIED SCHOOL DISTRICT
GENERAL FUND
MULTIYEAR PROJECTION
Unrestricted/Restricted

	Description	Object Codes	Projection Year Totals (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C.)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
A.	REVENUES AND OTHER FINANCING SOURCES						
1.	LCFF/Revenue Limit Sources	8010-8099	$ 366,304,603.00	4.23%	$ 381,805,159.00	1.27%	$ 386,658,611.00
2.	Federal Revenues	8100-8299	$ 49,062,071.89	-7.94%	$ 45,166,618.56	0.00%	$ 45,166,618.56
3.	Other State Revenues	8300-8599	$ 68,930,239.84	-4.47%	$ 65,845,639.22	-17.59%	$ 54,264,204.64
4.	Other Local Revenues	8600-8799	$ 59,253,961.53	-6.54%	$ 55,375,897.63	1.76%	$ 56,348,857.55
5.	Other Financing Sources						
a.	Transfers In	8900-8929	$ 33,776.52	-100.00%	$ -	0.00%	$ -
b.	Other Sources	8930-8979	$ -	0.00%	$ -	0.00%	
c.	Contributions	8980-8999	$ -	0.00%	$ -	0.00%	
6.	Total (Sum lines A1 thru A5c)		$ 543,584,652.78	0.85%	$ 548,193,314.41	-1.05%	$ 542,438,291.75
B.	EXPENDITURES AND OTHER FINANCING USES						
1.	Certificated Salaries						
a.	Base Salaries				$ 195,899,113.17		$ 198,166,080.75
b.	Step & Column Adjustment				$ 2,266,967.58		$ 2,300,489.89
c.	Cost-of-Living Adjustment				$ -		$ -
d.	Other Adjustments				$ -		$ -
e.	Total Certificated Salaries (Sum lines B1a thru B1d)	1000-1999	$ 195,899,113.17	1.16%	$ 198,166,080.75	1.16%	$ 200,466,570.64
2.	Classified Salaries						
a.	Base Salaries				$ 93,723,206.45		$ 95,120,970.24
b.	Step & Column Adjustment				$ 1,397,763.79		$ 1,422,889.49
c.	Cost-of-Living Adjustment				$ -		$ -
d.	Other Adjustments				$ -		$ -
e.	Total Classified Salaries (sum lines B2a thru B2d)	2000-2999	$ 93,723,206.45	1.49%	$ 95,120,970.24	1.50%	$ 96,543,859.73
3.	Employee Benefits	3000-3999	$ 132,792,877.16	4.44%	$ 138,692,167.11	5.27%	$ 146,000,591.01
4.	Books and Supplies	4000-4999	$ 20,174,140.00	3.00%	$ 20,779,349.55	2.83%	$ 21,367,702.52
5.	Services and Other Operating Expenditures	5000-5999	$ 90,470,588.00	5.82%	$ 95,735,495.97	4.55%	$ 100,093,678.37
6.	Capital Outlay	6000-6999	$ 193,803.00	-26.01%	$ 143,401.33	3.36%	$ 148,219.61
7.	Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	$ 9,096,534.10	-0.07%	$ 9,090,092.31	0.77%	$ 9,159,649.09
8.	Other Outgo - Transfers of Indirect Costs	7300-7399	$ 6,074,526.74	-32.88%	$ 4,076,938.35	5.00%	$ 4,280,977.84
9.	Other Financing Uses						
a.	Tranfers Out	7600-7629	$ 5,955,838.54	37.16%	$ 8,169,057.56	2.54%	$ 8,376,337.90
b.	Other Uses	7630-7699	$ -	0.00%	$ -	0.00%	$ -
10.	Other Adjustments (Explain in Section F below)						$ -
11.	Total (Sum lines B1 thru B10)		$ 554,380,627.16	2.81%	$ 569,973,553.17	2.89%	$ 586,437,586.71
C.	NET INCREASE (DECREASE) IN FUND BALANCE (line A6 minus line B11)		$ (10,795,974.38)		$ (21,780,238.76)		$ (43,999,294.96)
D.	FUND BALANCE						
1.	Net Beginning Fund Balance (Form 01, line F1e)		$ 23,475,855.23		$ 12,679,880.85		$ (9,100,357.91)
2.	Ending Fund Balance (Sum lines C and D1)		$ 12,679,880.85		$ (9,100,357.91)		$ (53,099,652.87)
3.	Components of Ending Fund Balance (Form 01)						
a.	Nonspendable	9710-9719	$ 150,000.00		$ 150,000.00		$ 150,000.00
b.	Restricted	9740	$ 28,298,216.66		$ 20,428,922.54		$ 23,163,647.11
c.	Committeed						
1.	Stabilization Arrangements	9750	$ -		$ -		$ -
2.	Other commitments	9760	$ -		$ -		$ -
d.	Assigned	9780	$ -		$ -		$ -
e.	Unassigned/Unappropriated						
1.	Reserve for Economic Uncertainties	9789	$ 11,087,612.54		$ 11,399,471.06		$ 11,728,751.73
2.	Unassigned/Unappropriated	9790	$ (26,855,948.35)		$ (41,078,751.51)		$ (88,142,051.71)
f.	Total Components of Ending Fund Balance (line D3f must agree with Line D2)		$ 12,679,880.85		$ (9,100,357.91)		$ (53,099,652.87)
E.	AVAILABLE RESERVES						
1.	General Fund						
a.	Stabilization Arrangements	9750	$ -		$ -		$ -
b.	Reserve for Economic Uncertainties	9789	$ 11,087,612.54		$ 11,399,471.06		$ 11,728,751.73
c.	Unassigned/Unappropriated	9790	$ (26,855,948.35)		$ (41,078,751.51)		$ (88,142,051.71)
	Enter other reserve projections in Columns C and E for subsequent years 1 and 2; curent year - Column A)	1000-1999					
2.	Special Reserve Fund - Noncapital Outlay (Fund 17)						
a.	Stabilization Arrangements	9750	$ -		$ -		$ -
b.	Reserve for Economic Uncertainties	9789	$ -		$ -		$ -
c.	Unassigned/Unappropriated	9790	$ -		$ -		$ -
3.	Total Available Reserves (Sum lines E1a thru E2c)	2000-2999	$ (15,768,335.81)		$ (29,679,280.45)		$ (76,413,299.98)
4.	Total Available Reserves - by Percent (Line E3 divided by Line F3c)		-2.84%		-5.21%		-13.03%
F.	RECOMMNEDED RESERVES						
2.	District ADA						
	Used to determine the reserve standard percentage level on line F3d		35,363.58		34,906.20		34,439.26
3.	Calculating the Reserves						
a.	Expenditures and Other Financing Uses (Line B11)		$ 554,380,627.16		$ 569,973,553.17		$ 586,437,586.71
b.	Plus: Special Education Pass-Through Funds (Line F1b2, if Line F1a is No)		$ -		$ -		$ -
c.	Total Expendditures and Other Financing Uses (Line F3a plus line F3b)		$ 554,380,627.16		$ 569,973,553.17		$ 586,437,586.71
d.	Reserve Standard Percentage Level (Refer to Form 01CS, Criterion 10 for calculation details)		2%		2%		2%
e.	Reserve Standard - By Percent (Line F3c times F3d)		$ 11,087,612.54		$ 11,399,471.06		$ 11,728,751.73
f.	Reserve Standard - By Amount (Refer to Form 01CS, Criterion 10 for calculation details)		$ -		$ -		$ -
g.	Reserve Standard (Greater of Line F3e or F3f)		$ 11,087,612.54		$ 11,399,471.06		$ 11,728,751.73
h.	Available Reserves (Line E3) Meet Reserve Standard (Line F3g)		NO		NO		NO

OAKLAND UNIFIED SCHOOL DISTRICT
GENERAL FUND
MULTIYEAR PROJECTION
Unrestricted

	Description	Object Codes	Projection Year Totals (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C.)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
A.	REVENUES AND OTHER FINANCING SOURCES						
1.	LCFF/Revenue Limit Sources	8010-8099	$ 363,413,669.00	4.27%	$ 378,914,225.00	1.28%	$ 383,767,677.00
2.	Federal Revenues	8100-8299	$ 52,364.00	0.00%	$ 52,364.00	0.00%	$ 52,364.00
3.	Other State Revenues	8300-8599	$ 13,133,643.51	51.96%	$ 19,958,056.24	-60.95%	$ 7,792,984.72
4.	Other Local Revenues	8600-8799	$ 33,167,856.56	0.81%	$ 33,435,943.94	2.05%	$ 34,122,093.31
5.	Other Financing Sources						
a.	Transfers In	8900-8929	$ 33,776.52	-100.00%	$ -	0.00%	$ -
b.	Other Sources	8930-8979	$ -	0.00%	$ -	0.00%	$ -
c.	Contributions	8980-8999	$ (76,763,840.08)	7.82%	$ (82,764,067.38)	20.26%	$ (99,531,753.57)
6.	Total (Sum lines A1 thru A5c)		$ 333,037,469.51	4.97%	$ 349,596,521.80	-6.69%	$ 326,203,365.46
B.	EXPENDITURES AND OTHER FINANCING USES						
1.	Certificated Salaries						
a.	Base Salaries				$ 141,983,208.91		$ 143,442,401.96
b.	Step & Column Adjustment				$ 1,459,193.05		$ 1,481,080.93
c.	Cost-of-Living Adjustment				$ -		$ -
d.	Other Adjustments				$ -		$ -
e.	Total Certificated Salaries (Sum lines B1a thru B1d)	1000-1999	$ 141,983,208.91	1.03%	$ 143,442,401.96	1.03%	$ 144,923,482.89
2.	Classified Salaries						
a.	Base Salaries				$ 56,569,558.00		$ 57,418,101.37
b.	Step & Column Adjustment				$ 848,543.37		$ 861,271.52
c.	Cost-of-Living Adjustment				$ -		$ -
d.	Other Adjustments				$ -		$ -
e.	Total Classified Salaries (sum lines B2a thru B2d)	2000-2999	$ 56,569,558.00	1.50%	$ 57,418,101.37	1.50%	$ 58,279,372.89
3.	Employee Benefits	3000-3999	$ 88,492,089.61	4.96%	$ 92,883,058.25	5.82%	$ 98,284,600.88
4.	Books and Supplies	4000-4999	$ 10,466,297.00	3.58%	$ 10,840,990.44	3.36%	$ 11,205,247.72
5.	Services and Other Operating Expenditures	5000-5999	$ 44,197,378.00	4.99%	$ 46,402,876.27	2.38%	$ 47,505,898.63
6.	Capital Outlay	6000-6999	$ 63,248.00	3.58%	$ 65,512.28	3.36%	$ 67,713.49
7.	Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	$ 6,087,606.60	-1.03%	$ 6,024,814.81	0.15%	$ 6,034,077.09
8.	Other Outgo - Transfers of Indirect Costs	7300-7399	$ (1,739,346.50)	0.00%	$ (1,739,346.50)	0.00%	$ (1,739,346.50)
9.	Other Financing Uses						
a.	Tranfers Out	7600-7629	$ 5,955,838.54	37.16%	$ 8,169,057.56	2.54%	$ 8,376,337.90
b.	Other Uses	7630-7699	$ -	0.00%	$ -	0.00%	$ -
10.	Other Adjustments (Explain in Section F below)						.
11.	Total (Sum lines B1 thru B10)		$ 352,075,878.16	3.25%	$ 363,507,466.44	2.59%	$ 372,937,384.99
C.	NET INCREASE (DECREASE) IN FUND BALANCE (line A6 minus line B11)		$ (19,038,408.65)		$ (13,910,944.64)		$ (46,734,019.53)
D.	FUND BALANCE						
1.	Net Beginning Fund Balance (Form 01, line F1e)		$ 3,420,072.84		$ (15,618,335.81)		$ (29,529,280.45)
2.	Ending Fund Balance (Sum lines C and D1)		$ (15,618,335.81)		$ (29,529,280.45)		$ (76,263,299.98)
3.	Components of Ending Fund Balance (Form 01)						
a.	Nonspendable	9710-9719	$ 150,000.00		$ 150,000.00		$ 150,000.00
b.	Restricted	9740					
c.	Committed						
1.	Stabilization Arrangements	9750	$ -		$ -		$ -
2.	Other commitments	9760	$ -		$ -		$ -
d.	Assigned	9780	$ -		$ -		$ -
e.	Unassigned/Unappropriated						
1.	Reserve for Economic Uncertainties	9789	$ 11,087,612.54		$ 11,399,471.06		$ 11,728,751.73
2.	Unassigned/Unappropriated	9790	$ (26,855,948.35)		$ (41,078,751.51)		$ (88,142,051.71)
f.	Total Components of Ending Fund Balance (line D3f must agree with Line D2)		$ (15,618,335.81)		$ (29,529,280.45)		$ (76,263,299.98)
E.	AVAILABLE RESERVES						
1.	General Fund						
a.	Stabilization Arrangements	9750	$ -		$ -		$ -
b.	Reserve for Economic Uncertainties	9789	$ 11,087,612.54		$ 11,399,471.06		$ 11,728,751.73
c.	Unassigned/Unappropriated	9790	$ (26,855,948.35)		$ (41,078,751.51)		$ (88,142,051.71)
Enter other reserve projections in Columns C and E for subsequent years 1 and 2; curent year - Column A)		1000-1999					
2.	Special Reserve Fund - Noncapital Outlay (Fund 17)						
a.	Stabilization Arrangements	9750	$ -		$ -		$ -
b.	Reserve for Economic Uncertainties	9789	$ -		$ -		$ -
c.	Unassigned/Unappropriated	9790	$ -		$ -		$ -
3.	Total Available Reserves (Sum lines E1a thru E2c)	2000-2999	$ (15,768,335.81)		$ (29,679,280.45)		$ (76,413,299.98)
F.	ASSUMPTIONS						

Please provide below or on a separate attachment, the assumptions used to determine the projections for the first and second subsequent fiscal years. Further, please include an explanation for any significant expenditure adjustments projected in lines B1d, B2d, and B10. For additional information, please refer to the Budget Assumptions section of the SACS Financial Reporting Software User Guide.

OAKLAND UNIFIED SCHOOL DISTRICT
GENERAL FUND
MULTIYEAR PROJECTION
Restricted

	Description	Object Codes	Projection Year Totals (Form 01) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C.)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
A.	REVENUES AND OTHER FINANCING SOURCES						
1.	LCFF/Revenue Limit Sources	8010-8099	$ 2,890,934.00	0.00%	$ 2,890,934.00	0.00%	$ 2,890,934.00
2.	Federal Revenues	8100-8299	$ 49,009,707.89	-7.95%	$ 45,114,254.56	0.00%	$ 45,114,254.56
3.	Other State Revenues	8300-8599	$ 55,796,596.33	-17.76%	$ 45,887,582.98	1.27%	$ 46,471,219.92
4.	Other Local Revenues	8600-8799	$ 26,086,104.97	-15.89%	$ 21,939,953.69	1.31%	$ 22,226,764.24
5.	Other Financing Sources						
a.	Transfers In	8900-8929	$ -	0.00%	$ -	0.00%	
b.	Other Sources	8930-8979	$ -	0.00%	$ -	0.00%	
c.	Contributions	8980-8999	$ 76,763,840.08	7.82%	$ 82,764,067.38	20.26%	$ 99,531,753.57
6.	Total (Sum lines A1 thru A5c)		$ 210,547,183.27	-5.68%	$ 198,596,792.61	8.88%	$ 216,234,926.29
B.	EXPENDITURES AND OTHER FINANCING USES						
1.	Certificated Salaries						
a.	Base Salaries				$ 53,915,904.26		$ 54,723,678.79
b.	Step & Column Adjustment				$ 807,774.53		$ 819,408.96
c.	Cost-of-Living Adjustment						
d.	Other Adjustments						
e.	Total Certificated Salaries (Sum lines B1a thru B1d)	1000-1999	$ 53,915,904.26	1.50%	$ 54,723,678.79	1.50%	$ 55,543,087.75
2.	Classified Salaries						
a.	Base Salaries				$ 37,153,648.45		$ 37,702,868.87
b.	Step & Column Adjustment				$ 549,220.42		$ 561,617.97
c.	Cost-of-Living Adjustment				$ -		$ -
d.	Other Adjustments				$ -		$ -
e.	Total Classified Salaries (sum lines B2a thru B2d)	2000-2999	$ 37,153,648.45	1.48%	$ 37,702,868.87	1.49%	$ 38,264,486.84
3.	Employee Benefits	3000-3999	$ 44,300,787.55	3.40%	$ 45,809,108.86	4.16%	$ 47,715,990.13
4.	Books and Supplies	4000-4999	$ 9,707,843.00	2.37%	$ 9,938,359.11	2.25%	$ 10,162,454.80
5.	Services and Other Operating Expenditures	5000-5999	$ 46,273,210.00	6.61%	$ 49,332,619.70	6.60%	$ 52,587,779.74
6.	Capital Outlay	6000-6999	$ 130,555.00	-40.34%	$ 77,889.05	3.36%	$ 80,506.12
7.	Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	$ 3,008,927.50	1.87%	$ 3,065,277.50	1.97%	$ 3,125,572.00
8.	Other Outgo - Transfers of Indirect Costs	7300-7399	$ 7,813,873.24	-25.56%	$ 5,816,284.85	3.51%	$ 6,020,324.34
9.	Other Financing Uses						
a.	Tranfers Out	7600-7629	$ -	0.00%		0.00%	
b.	Other Uses	7630-7699	$ -	0.00%		0.00%	
10.	Other Adjustments (Explain in Section F below)						
11.	Total (Sum lines B1 thru B10)		$ 202,304,749.00	2.06%	$ 206,466,086.73	3.41%	$ 213,500,201.72
C.	NET INCREASE (DECREASE) IN FUND BALANCE (line A6 minus line B11)		$ 8,242,434.27		$ (7,869,294.12)		$ 2,734,724.57
D.	FUND BALANCE						
1.	Net Beginning Fund Balance (Form 01, line F1e)		$ 20,055,782.39		$ 28,298,216.66		$ 20,428,922.54
2.	Ending Fund Balance (Sum lines C and D1)		$ 28,298,216.66		$ 20,428,922.54		$ 23,163,647.11
3.	Components of Ending Fund Balance (Form 01)						
a.	Nonspendable	9710-9719	$ -		$ -		$ -
b.	Restricted	9740	$ 28,298,216.66		$ 20,428,922.54		$ 23,163,647.11
c.	Committeed						
1.	Stabilization Arrangements	9750					
2.	Other commitments	9760					
d.	Assigned	9780					
e.	Unassigned/Unappropriated						
1.	Reserve for Economic Uncertainties	9789					
2.	Unassigned/Unappropriated	9790	$ -		$ -		$ -
f.	Total Components of Ending Fund Balance (line D3f must agree with Line D2)		$ 28,298,216.66		$ 20,428,922.54		$ 23,163,647.11
E.	AVAILABLE RESERVES						
1.	General Fund						
a.	Stabilization Arrangements	9750					
b.	Reserve for Economic Uncertainties	9789					
c.	Unassigned/Unappropriated	9790					
Enter other reserve projections in Columns C and E for subsequent		1000-1999					
years 1 and 2; curent year - Column A)							
2.	Special Reserve Fund - Noncapital Outlay (Fund 17)						
a.	Stabilization Arrangements	9750					
b.	Reserve for Economic Uncertainties	9789					
c.	Unassigned/Unappropriated	9790					
3.	Total Available Reserves (Sum lines E1a thru E2c)	2000-2999					

F. ASSUMPTIONS

Please provide below or on a separate attachment, the assumptions used to determine the projections for the first and second subsequent fiscal years. Further, please include an explanation for any significant expenditure adjustments projected in lines B1d, B2d, and B10. For additional information, please refer to the Budget Assumptions section of the SACS Financial Reporting Software User Guide.