

ORANGE UNIFIED SCHOOL DISTRICT



**User Friendly Budget
Business Services
September 12, 2019**



A message from:

The Office of the Assistant Superintendent of Business Services

This User-Friendly Budget is an opportunity to communicate our financial commitment to District goals and actions. The 2019-20 Revised Budget has been developed based on the Enacted State Budget for California's Schools.

The Board of Education and the Superintendent have the responsibility of setting policy and direction for the District, a task accomplished by defining goals and actions to be implemented by staff. Student achievement remains our number one goal and provides focus as we incorporate Board of Education goals with valued stakeholder input generated during the Local Control Accountability Plan strategic planning process. Our Four Areas of Focus are the basis for allocating resources to our priorities:

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

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



Sincerely,

David A. Rivera,
Assistant Superintendent/CBO

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



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District Vision, Mission, and Core Values



VISION - OUR COMMITMENT

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

MISSION - OUR INTENTION

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

CORE VALUES - OUR FOUNDATION

INTEGRITY

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

EQUITY

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

RESPECT

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

EXCELLENCE

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

District Budget Overview

The Purpose of the Budget

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

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

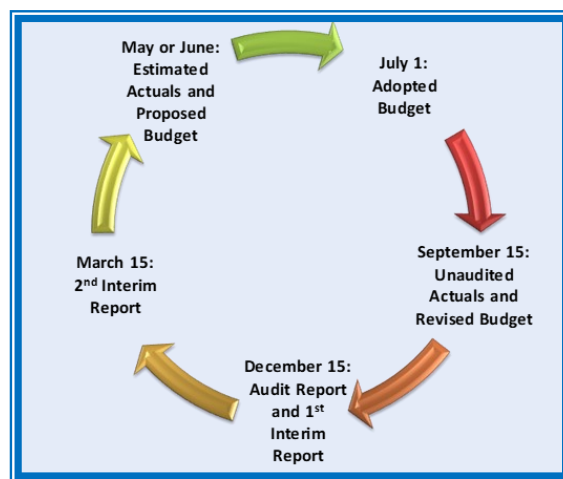
Fund Budgeting

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

The Budget Cycle

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

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



Local Control Funding Formula (LCFF)

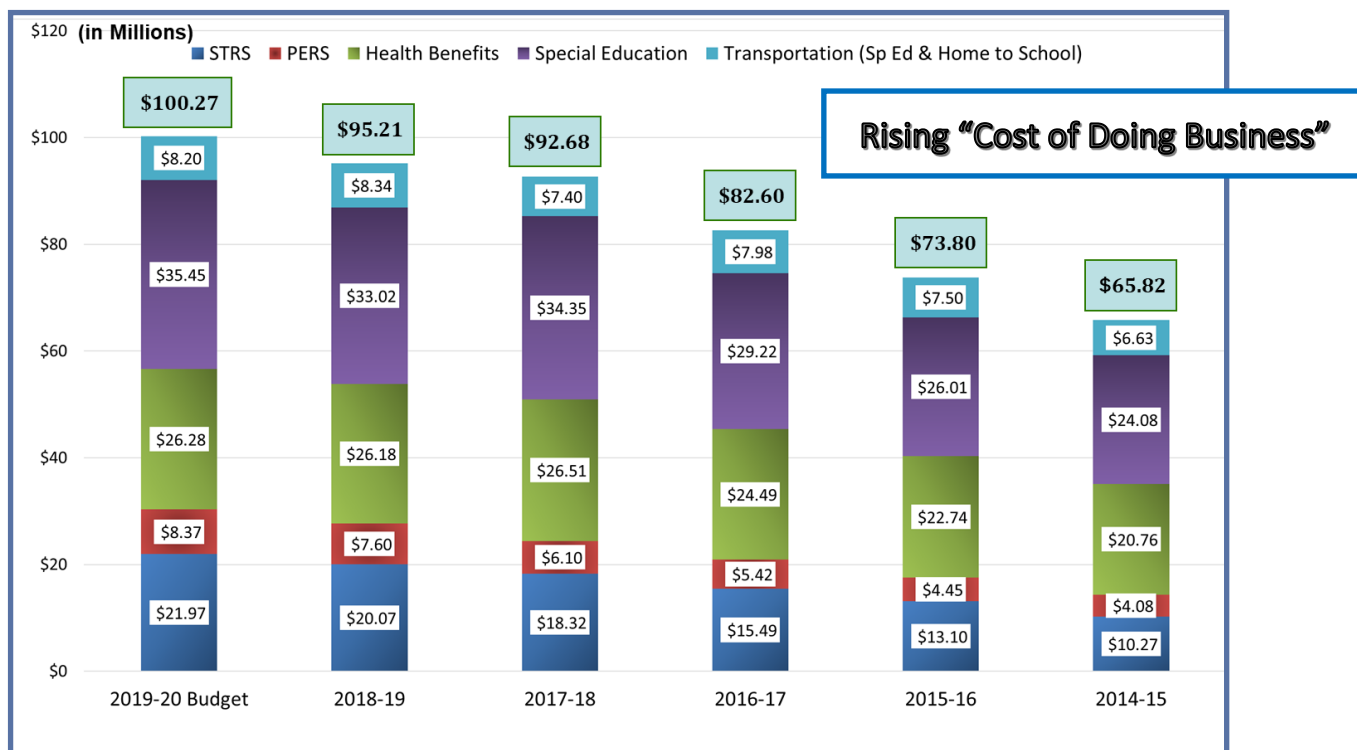
School Districts in California receive funding according to the number of students they serve. Therefore, enrollment is important but even more so that the enrolled students attend school every day because the level of funding is based on student attendance. For each day a student attends school, Orange Unified School District receives approximately \$77 under the State's funding model known as Local Control Funding Formula (LCFF).

Before 2013, the State provided a set amount per student for basic educational needs plus additional funding for a long list of special programs which had specific requirements and many restrictions. In 2013, the LCFF was adopted to give school districts more flexibility and simplify the funding calculations. Along with the new funding calculation, the State also implemented the **Local Control Accountability Plan (LCAP)**; a tool for districts and local communities to establish priorities, allocate resources, and demonstrate how the needs of the students are being met.

The LCFF formula includes three main components: base funding to serve all students, and supplemental and concentration grants to support disadvantaged students (English Learners, Low Income, and Foster Youth). The calculation takes into consideration student attendance, student grade level, and other funding factors, such as the cost of living adjustment to determine the Base Grant. In addition, districts receive Supplemental Grant, 20% of the base grant for each disadvantaged student, and Concentration Grant, 50% of the base grant for each disadvantaged student if those students represent more than 55% of the student population.

OUSD is expecting to receive approximately \$215 million in Base funding and \$22 million in Supplemental funding for 2019-20. The District does not receive Concentration Grant since its percentage of disadvantaged students is at 52%, below the 55% threshold required by the formula.

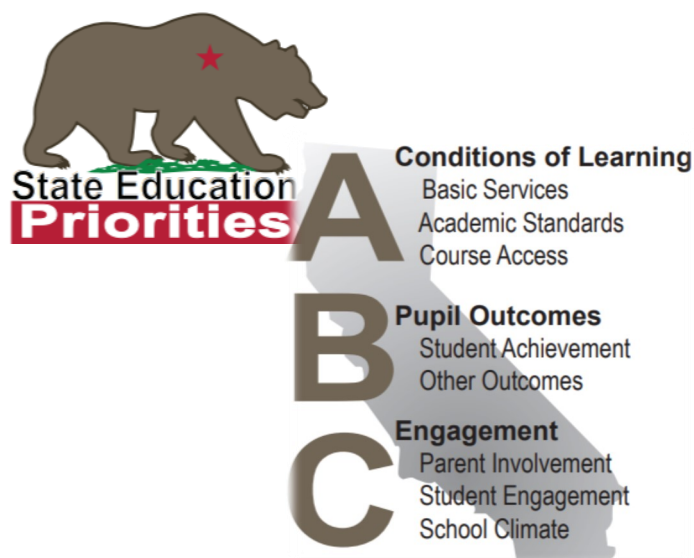
Despite announcements that the LCFF Model has been fully-funded by the state and the cost of living adjustments proposed by the Governor, the added funding received by the District is not keeping pace with the ongoing operational costs. The annual increases in funding have been greatly impacted by continual declines in student enrollment, the rising costs in employee benefits and additional general fund contributions required for underfunded programs (Special Education and Transportation Services). The chart below depicts the impact of increased costs over the last five years and current school year.



Local Control Accountability Plan (LCAP)

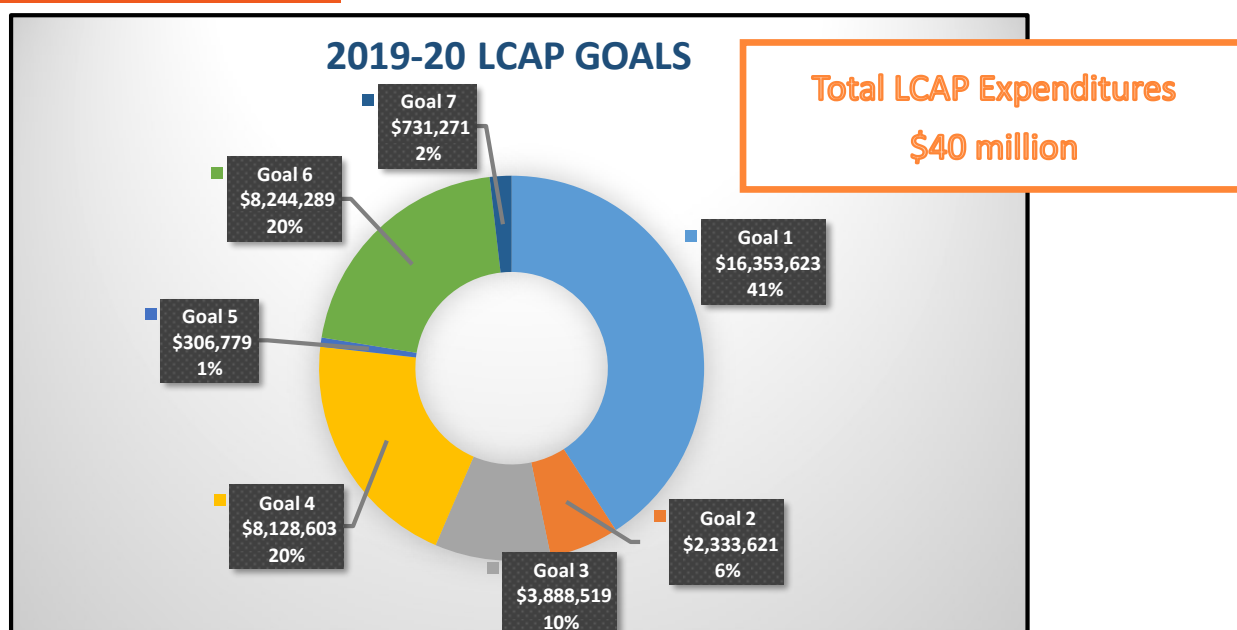
The LCAP is a tool for local educational agencies to set goals, plan actions, and leverage resources to meet those goals to improve student outcomes. The LCAP provides an opportunity for districts to share their stories of how, what, and why programs and services are selected to meet their local needs. The LCAP is a three-year plan that describes the goals, actions, services, and expenditures to support positive student outcomes that address state and local priorities.

Orange Unified annually engages stakeholders to gather feedback and input through surveys and stakeholder focus groups at each school site as well as through department parent/community advisory committees. Through this engagement process, our district has established seven goals that align and support the eight California state priorities. The actions and services are developed or enhanced from the input and represent around \$40 million dollars of our budget that are designed to provide student programs and support that primarily serve our students who are identified as English Learners, Low Income or Foster Youth.



OUSD Goals	
1	Basic Instructional Services
2	Professional Development
3	Course Access
4	Student Achievement
5	Parent Engagement
6	Engaging Programs
7	School Connectedness

The full copy of the LCAP document is available on the District's Website at <https://www.orangeusd.org/departments/educational-services/lcap-lcff>



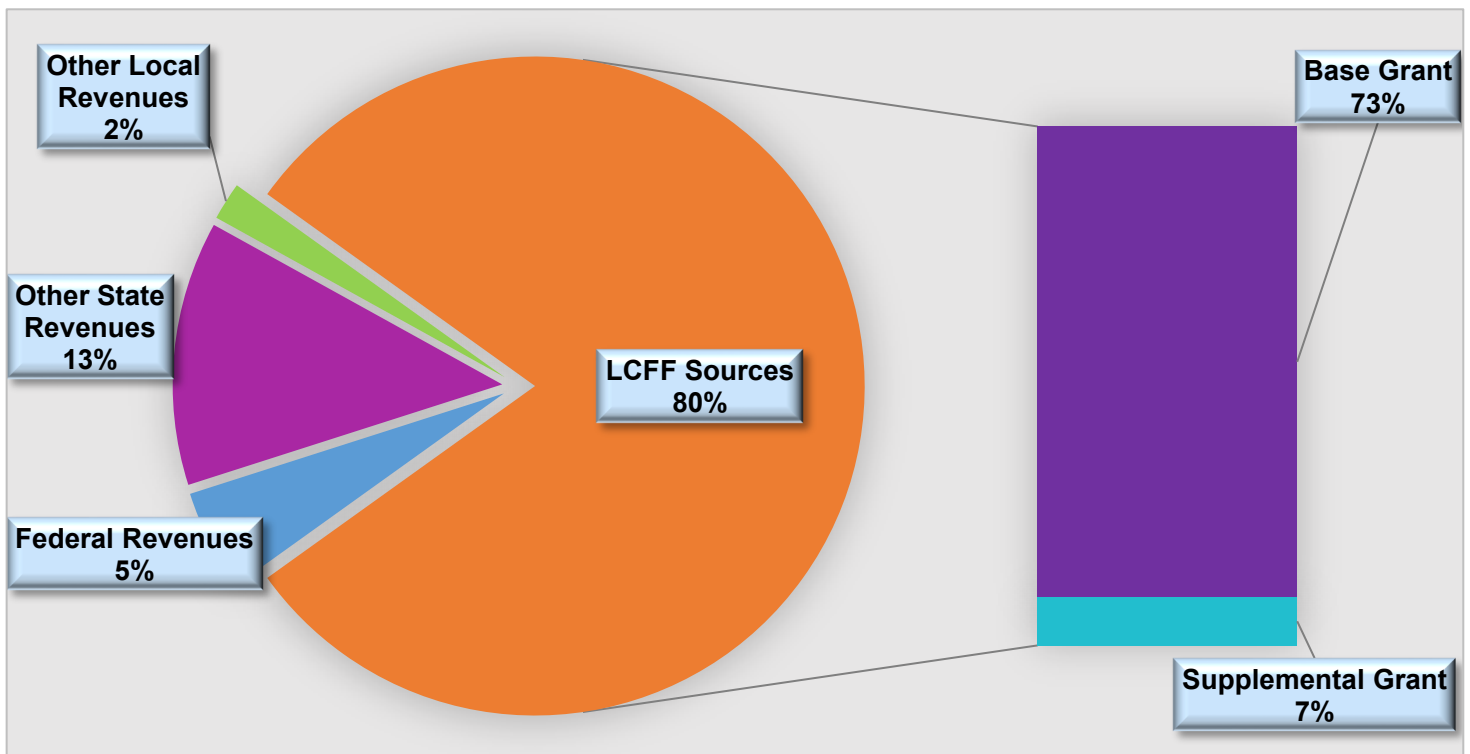
General Fund Revenues

2019-20 Revised Budget – September 12, 2019

The total revenues from the Local Control Funding Formula are projected at \$237M or 80% of the District total revenues. Driving factors for the LCFF apportionment calculation are: Average Daily Attendance (ADA); the percentage of unduplicated English Learners, Low-Income students, and Foster Youth; and the cost of living adjustment. The last factor is determined at the state level. The LCFF revenues include a portion of the Board committed transfer of approximately \$4M to the Deferred Maintenance Fund for large maintenance projects and system upgrades. The remainder of the Deferred Maintenance transfer is budgeted in the Special Reserve Fund from prior year one-time Mandated Cost Reimbursements.

Federal Revenues are projected at \$15M, State Revenues at \$38M, and Other Local Revenues at \$5M, representing 5%, 13%, and 2% respectively of total revenues.

	Restricted	Unrestricted	Total
LCFF Sources	\$0	\$236,585,258	\$236,585,258
Federal Revenues	\$14,646,629	\$0	\$14,646,629
Other State Revenues	\$33,294,062	\$4,979,077	\$38,273,139
Other Local Revenue	\$1,667,923	\$3,802,467	\$5,470,390
TOTAL REVENUES	\$49,608,614	\$245,366,802	\$294,975,416



General Fund Expenditures

2019-20 Revised Budget – September 12, 2019

	2019-20
Certificated Salaries	\$128,517,117
Classified Salaries	\$48,863,175
Employee Benefits	\$78,253,128
Books and Supplies	\$19,610,416
Services and Other Operating	\$28,678,140
Capital Outlay	\$0
Other/Transfers Out	\$7,290,372
TOTAL EXPENSES	\$311,212,348

The General Fund Expenditures for 2019-20 are projected at \$311M, with approximately 82% of those expenses earmarked to cover the salaries and benefits of teachers and support service providers. Salaries and benefits are projected based on established staffing ratios and Board approved positions. In addition, budget allocations are provided to each school site on a per-student basis to cover operational costs like instructional materials, postage, printing, office, and library supplies.

Expenses associated with State and Federal categorical programs are projected not-to-exceed program revenues, except Special Education Master Plan since the apportioned state funds are inadequate to meet the needs of students served. The General Fund contribution to categorical programs including Special Education and Routine Restricted Maintenance totals \$41M.

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

A PEOPLE BUSINESS

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

Approximately 82% of General Fund expenditures are for employees, including those who directly serve the children of this District.

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

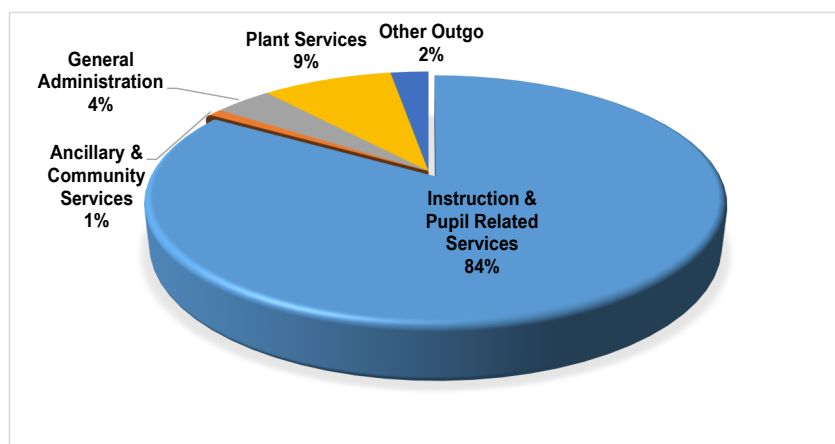
Since our business relies so heavily on people, our budget is impacted by increasing costs of employee benefits and by the cost to attract and retain quality employees who are qualified to serve our children.



Expenditures and Multi-Year Projections

General Fund Budgeted Expenditures by Function or Activity

The graph below shows a breakdown of the General Fund expenses associated with each activity of the District; 84% are related to K-12 instruction and services provided to students, including school administration, library and media, counseling, psychological, speech, pupil transportation and health services. Ancillary & Community Services is the cost of the District's athletic program. General Administration represents the cost of running the District, including fiscal services, human resources, purchasing, warehouse, and audit services. Plant Services include maintenance, operations, custodial, grounds, and security expenses. Other Outgo is the debt service payments, capital leases and transfers to Orange County Department of Education for students educated at County Programs.



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

	2019-20	2020-21	2021-22
REVENUES	294,584,760	294,239,267	295,186,019
<i>Sp. Ed. Equalization Fund</i>	<i>390,656</i>		
<i>Sp. Ed. Preschool Grant</i>	<i>0</i>	<i>0</i>	<i>0</i>
TOTAL REVENUES AS ADJUSTED	294,975,416	294,239,267	295,186,019
EXPENDITURES	311,212,348	302,638,398	303,212,828
INCREASE (DECREASE) IN FUND BALANCE	(16,236,932)	(8,399,131)	(8,026,809)
BEGINNING BALANCE	68,346,963	52,110,031	43,710,900
PROJECTED ENDING BALANCE	52,110,031	43,710,900	35,684,091
Adjustment to Ending Fund Balance			
Stores, Revolving Cash and Carryover	(334,295)	(334,295)	(334,295)
Reserve for STRS and PERS Increases	(3,863,960)	(1,327,567)	(944,110)
3% State Required Contingency	(9,338,771)	(9,079,152)	(9,096,385)
One-Time Mandated Cost Funds	(4,449,343)	(4,249,343)	(4,249,343)
Unappropriated Fund Balance Above 3%	34,123,662	28,720,543	21,059,958

Enrollment Trends

Declining Enrollment and Average Daily Attendance (ADA)

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

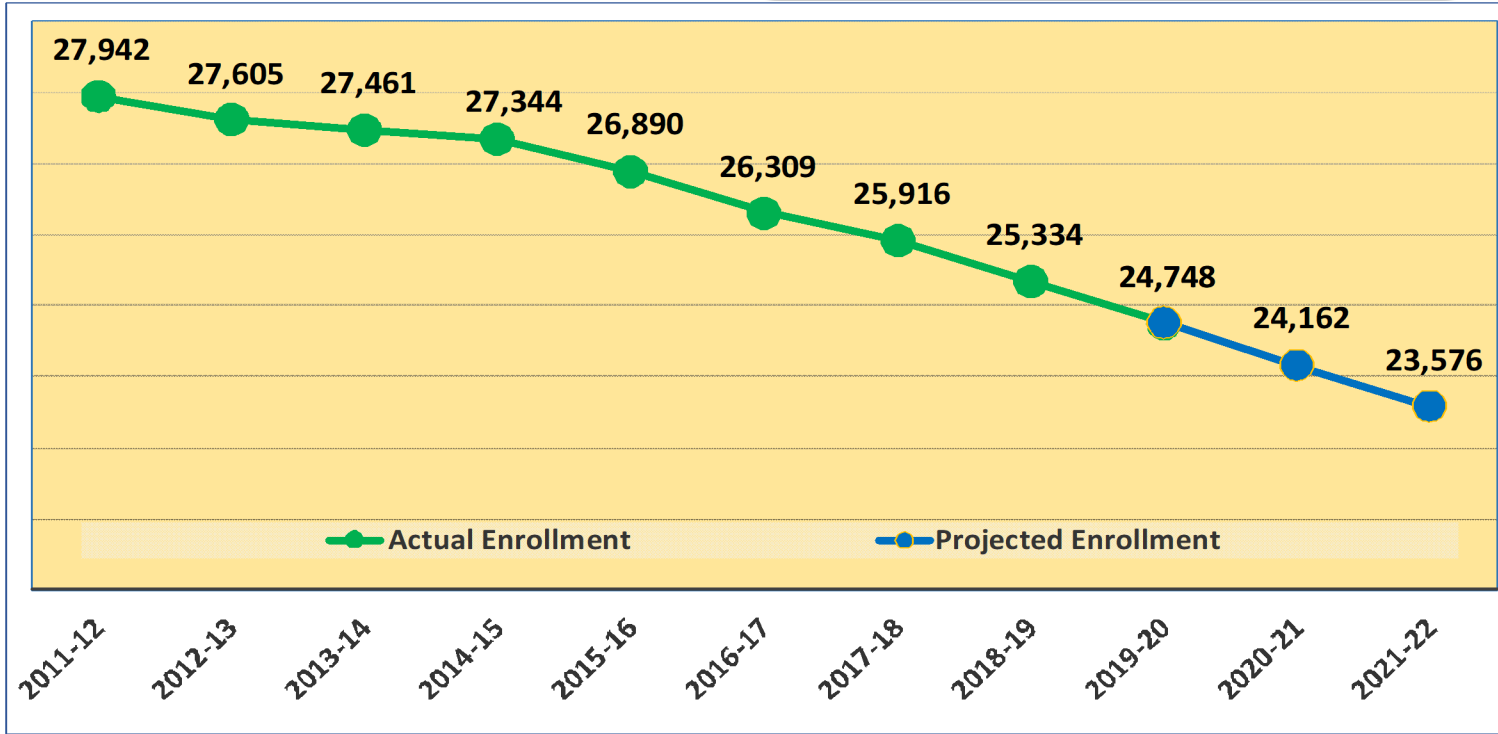
Our revised enrollment projection for 2019-20 Revised Budget is 24,748 not including charter schools. Compared to 2018-19 this reflects a decline of 586. Declining enrollment is anticipated to reduce ADA by 586 in each of the next two years. District charter schools have a projected enrollment of 2,227 that generates separate revenue for those schools.

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

Impact of Declining Enrollment

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

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



Other Budget Challenges

Facilities

The District spends about \$7 million annually on regular maintenance and repairs. In addition, 1.5% of the total General Fund Expenditures or \$4 million are allocated to cover deferred maintenance projects (roofs, parking lots, painting, flooring, heating/cooling, restroom renovation, field improvements). School Districts no longer receive matching funds from the state for the Deferred Maintenance Program, therefore General Fund monies are the only source to address the most critical health and safety issues.

SUMMER 2019- COMPLETED PROJECTS:

FOCUS:

- ◆ **Playground Upgrades**
- ◆ **Restroom Renovations**
- ◆ **Exterior/Interior Painting**



Exterior Painting Project Sites:

- ◆ **Cambridge Elementary**
- ◆ **Fairhaven Elementary**
- ◆ **Fletcher Elementary**
- ◆ **Maintenance and Operations**

Playground Renovation Sites:

- ◆ **Canyon Rim Elementary**
- ◆ **Linda Vista Elementary**
- ◆ **McPherson Magnet**
- ◆ **Nohl Canyon Elementary**
- ◆ **Orange Pre-k**
- ◆ **Running Springs Elementary**
- ◆ **Serrano Elementary**

Restroom Renovation Sites:

- ◆ **Fletcher Elementary**
- ◆ **Imperial Elementary**
- ◆ **Serrano Elementary**
- ◆ **Villa Park ES**
- ◆ **West Orange ES**

Interior Painting Project Sites:

- ◆ **Anaheim Hills Elementary**
- ◆ **Chapman Hills Elementary**
- ◆ **Fairhaven Elementary**
- ◆ **Fletcher Elementary**
- ◆ **McPherson Magnet**
- ◆ **Running Springs Elementary**
- ◆ **Sycamore Middle School**

Flooring Project Sites:

- ◆ **Canyon Rim Elementary**
- ◆ **Chapman Hills Elementary**
- ◆ **Olive Elementary**
- ◆ **Palmyra Elementary**
- ◆ **Running Springs Elementary**
- ◆ **Serrano Elementary**
- ◆ **Sycamore Elementary**
- ◆ **McPherson Magnet**
- ◆ **Cerro Villa Middle**
- ◆ **Portola Middle**

Cost: \$4,212,857

User Friendly Budget

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

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

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

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

Phase II projects are currently in the early planning stages and will include the construction of new two-story buildings at El Modena High School, Orange High School, and Villa Park High School along with several renovation projects throughout the four campuses. Phase II projects were approved unanimously by the Board of Education on July 25, 2019. The presentations and updated program information can be found at:

<https://www.orangeusd.org/measure-s>

Phase 1 Construction Start Dates:

January 2019 - Villa Park HS Science Center

February 2019 - Orange HS Science Center

April 2019 - El Modena HS Science Center

June 2019 - Canyon HS Science Center

Citizens' Oversight Committee (COC) has held seven meetings since May 2017 and delivered its second annual report to the Board of Education on March 14, 2019. The 7-member committee acts independently from the Board of Education to promote transparency and provide assurance to the District taxpayers.

Construction Updates:



For More Information, Please Contact:

Business Services Department
(714) 628-4479

<http://www.orangeusd.org>



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