

OFFICE OF THE BOARD OF EDUCATION

1000 Broadway, Suite 680

Oakland, CA 94607-4099

ousd.org/boe | boe@ousd.org

510.879.8199 w | 510.879.2299 f | 510.879.2300 TTY/TDD

**OAKLAND UNIFIED
SCHOOL DISTRICT***Community Schools, Thriving Students*

BOARD OF EDUCATION 2018**Aimee Eng**, President, District 2aimee.eng@ousd.org**Jumoke Hinton Hodge**, Vice President, District 3jumoke.hintonhodge@ousd.org**Jody London**, District 1jody.london@ousd.org**Nina Senn**, District 4nina.senn@ousd.org**Roseann Torres**, District 5roseann.torres@ousd.org**Shanthi Gonzales**, District 6shanthi.gonzales@ousd.org**James Harris**, District 7james.harris@ousd.org

September 26, 2018

Presiding Judge Wynne Carvill
Alameda County Superior Court
1225 Fallon Street, Department One
Oakland, California 94612

Cassie Barner c/o Alameda County Grand Jury
1401 Lakeside Drive, Suite 1104
Oakland, California 94612

RE: Response to 2017-2018 Civil Grand Jury Report, "Oakland Unified School District: Hard Choices Needed To Prevent Insolvency"

Dear Presiding Judge Carvill and Ms. Barner:

The Oakland Unified School District (the "District") submits its Responses to the Findings and Recommendations from the 2017-2018 Civil Grand Jury Report, "Oakland Unified School District: Hard Choices Needed To Prevent Insolvency."

The District appreciates the Jurors' commitment to their role, thoroughness, and diligence in analyzing and understanding many of the complex and critical issues facing the District. The Civil Grand Jury exemplified the effectiveness of a panel of citizens to objectively analyze a component of the District's operations and to provide thoughtful insight and recommendations to the District. The District appreciates the opportunity to raise awareness of these challenges, receive the candid feedback, and implement the recommendations. Because the District's focus on fiscal vitality is ongoing, the District intends to supplement this Response by October 31, 2018, with additional information and data on its implementation efforts.

Presiding Judge Wynne Carvill

Cassie Barner

RE: Response to 2017-2018 Civil Grand Jury Report, "Oakland Unified School District: Hard Choices Needed To Prevent Insolvency

September 26, 2018

Page 2 of 2

The District disagrees with some of the narrative preceding the Findings and Recommendations. However, because these facts do not materially change the District's response to the findings and recommendations, the District only notes a few of the factual inaccuracies relating to the School of Language and Rudsdale Academy in its response.

Notably, at the beginning of the Civil Grand Jury's service, the District began new leadership under the esteemed Dr. Kyla Johnson-Trammell, an Oakland native and long-time educator in the District. Dr. Johnson-Trammell engaged immediately to build a trusted, experienced team of business and fiscal experts to advise and implement improvements. In addition, the Board has passed numerous new fiscal policies to help ensure that District staff is implementing the recommendations of the Fiscal Crisis Management Assistance Team (FCMAT) and to prioritize rebuilding fiscal reserves. The Board also has reinstituted subcommittees relating to Budget and Finance and Fiscal Vitality and increased Board trainings and the number of Board meetings focused on fiscal and budget topics. Although the hurdles are significant, the District believes it is on its way toward implementing the recommendations of the Grand Jury and becoming a fiscally sustainable, quality educational institution with students who are prepared for college, career, and community success.

Sincerely,



Aimee Eng

President of the Board

AE:lf

Enclosure: Oakland Unified Response to Findings and Recommendations

OAKLAND UNIFIED RESPONSE TO FINDINGS AND RECOMMENDATIONS

Finding 18-6: Staff and Board of Education efforts to circumvent established budgeting policies along with board efforts to interfere in the administrative responsibilities of the superintendent invite financial instability and contribute to Oakland Unified School District's financial problems.

The District agrees with this finding with the clarification that it does not believe the efforts referenced in the finding are intentional. One component of the District's theory of action is to maximize decision-making at school sites regarding staffing, finances, calendars, and programs. As a result, there are numerous Board policies supporting each principal's and particular school community's fiscal and programmatic autonomy to best meet the needs of the school community. There is considerable research highlighting some of the advantages of this method of budgeting. *See, e.g.,* Rennie Center for Education Research & Policy. (October 2012). Smart School Budgeting: Resources for Districts. Cambridge, MA: Rennie Center for Education Research & Policy. Some of the advantages for these budgeting policies are: "Those who best understand needs have the authority to make decisions. Provides greater control/ reporting of school-level data and greater school-level accountability. Staff/community given a voice, generating public support." *Id.* However, these policies require substantial training and deeper understanding and attention to financial matters than alternative ways of budgeting. In a district with significant administrator turnover and deep instructional needs, these responsibilities can be challenging. Also, it can cause an otherwise "unified" system to have internal discord through numerous parts working separately on individualized goals and accountability.

In spring 2017, the Board¹ proactively engaged Fiscal Crisis Management Assistance Team (FCMAT) to conduct an independent analysis of the District's fiscal health, based on factors identified by FCMAT. The Board believed this tool would help the Board gain clarity of the various factors impacting the District's fiscal health. FCMAT published its Fiscal Health Risk Analysis of the District on August 15, 2017 and recommended further analysis of the District's cash flow and multi-year projections, which has been conducted. In addition, to commissioning the FCMAT analysis, the Board in the last 12-14 months has instituted several policies, resolutions, and oversight practices that are focused on stabilizing the District's finances and putting in place systems that will safeguard against financial instability. Many of these policies are modeled on best practices recommended by the Government Finance Officers Association. These policies, resolutions, and implementation reports are appended to this response and include:

- Board Policy 3100.1 – Financial Reserves
- Board Policy 3100.2 – Structurally Balanced Budget
- Board Policy 3650 – Enrollment Impact Analysis
- Board Policy 6006 – Community of Schools

¹ The Grand Jury report mistakenly suggested that the Superintendent initiated FCMAT's review of the District's fiscal health factors.

- Board Resolution 1718-0069 FCMAT Implementation Plan
- Board Resolution 1718-0097, 1718-0097A Confirming District's Commitment to Fiscal Solvency
- Board Resolution 1718-0144 Commitment to Continuous Improvement of Fiscal Practices
- Board Resolution 1718-0197 Direction FY 18-19 and 19-20 Budget Reductions
- Board Resolution 1718-0242 Confirmation of Commitment to Fiscal Solvency

The Board in September 2018 will consider a policy on Long-term Financial Planning. Additionally, the Superintendent has instituted internal controls and procedures and the District has migrated its financial records and accounting systems to the system that is used by the Alameda County Office of Education, Escape.

Some of the Board's legislative proposals in the past year relating to the creation of personnel positions tended to focus upon development of positions that could assist the Board in fulfilling its role in overseeing the District's budget at a time when the District's financial department was understaffed; key vacancies were filled earlier this year. These positions were proposed in adherence to the Board's Bylaws and, ultimately, were not adopted by the majority of the Board. The Board has engaged in numerous trainings over the last 18 months to improve its governance, as described below.

Finding 18-7: Oakland Unified School District's inability to control overstaffing and poor position control decisions have contributed to the district's financial instability.

The District agrees with this finding. The District's largest fiscal expenditures are salary and salary-driven benefit costs. To drive school improvement, the District has focused on increases to resources to schools, often in the form of staffing. In 2017, \$419.2 million, approximately 80% of the District's budget, was spent on employee salaries and benefits. During the same time, the statutorily required pension benefits for District employees continued to rise an additional 2% from the prior year's increase without additional funding allocated for such purposes. In addition to increasing costs, in 2017, the District's staffing at schools and District-wide support positions (such as substitutes, school security, custodial, nutrition services, and special education staff), increased by 621 general fund positions while central office general fund positions decreased by 383.

This finding highlights the complexity of the District's budget and enrollment patterns, and the pressure placed on specific school communities and the Board when the enrollment upon which school budgets were based changes. Each of the District's eighty-seven schools gets its following school year's budget allocation in the spring based on projected enrollment. Schools develop their staff assignments, class lists, and master bell schedule/ class offerings accordingly. After schools, school communities, and students are assigned to teachers, it is programmatically and politically difficult to make changes to staffing and scheduling after the school year begins and to adjust a school's budget downward. Also, the District also often receives immigrant students,

newcomers, and/or transfer students during the school year and need to ensure sufficient staffing to meet these late enrollment needs. Given teacher shortages and recruitment challenges, the District risks being unable to meet these needs if teachers are separated from employment based on enrollment in the first weeks of school. Unfortunately, the state funding model which is based on student attendance rather than the fixed costs of staffing classrooms disparately impacts districts like Oakland Unified that have large numbers of late enrollees and absenteeism due to chronic health conditions.

Finding 18-8: Lack of transparency related to Oakland Unified School District's financial positions has led to mistrust between the district, the community, and labor organizations.

The District agrees in part with this finding but believes that other factors, including historical context in Oakland and negative media coverage of the District contribute to distrust even though there is greater access to information. Also, the District's prior financial system, data management, and generation of reports were inconsistent and unreliable. One issue facing the District is how to best communicate complex fiscal information to a wide audience. For example, in January 2016, School Services of California and the District fiscal team presented information in the District's public board meeting about the expectation of a slowdown in revenue as the Local Control Funding Formula "gap" funding started to narrow to only a cost of living increase while pensions costs were increasing; subsequent budget presentations continue to note this data. Yet, the complexity of the overall budget shields public awareness of this issue.

The District's utilization of and access to data surpasses most other districts. All minutes, videos, and actions taken by the Board since 1999, including all budget presentations and all financial decisions impacting the District, are available in an easily searchable database on the District's website at <https://www.ousd.org/domain/67>. In our analysis of other school districts, few have this level of transparency and accessibility. In addition, the District's Research and Development department maintain data dashboards (www.ousddata.org) relating to student demographics, performance, discipline and attendance, teacher data, attendance patterns, accountability, wellness, climate and culture data, and post-secondary readiness data for use by the public. In spring 2016, the District also added comprehensive data dashboards of fiscal information that is viewable by school, department, resource, or expenditure type to analyze multiple years of fiscal data. (<https://www.ousd.org/fiscaltransparency>) (<https://www.ousd.org/fiscalvitality>)

Finding 18-9: High turnover of key administrators has created an atmosphere of mistrust, destroying the continuity of the district's educational mission, and crippling the district's effectiveness in addressing its most pressing fiscal issues.

The District agrees with this finding. After the Board regained governance in July 2009, following state receivership, the District had five different Superintendents (two of which were interim superintendents) in nine years. Although the overall strategic plan,

Community Schools, Thriving Students, has remained in place, each Superintendent's initiatives and focal points within the plan have varied. Without clear leadership and focus, work within District departments and schools seemed less aligned and targeted. Similarly, during leadership transitions, retention efforts of other key staff became more difficult, which increased costs.

Moreover, turnover in Superintendents has required the Board to spend significant time and energy on recruiting, selection, and vetting of Superintendent candidates rather than other important work of the Board. However, the investment in the selection process for Superintendent Kyla Johnson-Trammell, who started in July 2017, has helped position the District on a new trajectory. As an Oakland native and acclaimed educator in OUSD, Dr. Johnson-Trammell has begun to rebuild the trust of the community and staff and is poised to stabilize and lead the District toward its vision.

Finding 18-10: Financial instability and high staff turnover contribute to poor student performance.

The District agrees in part with this finding but qualifies its response based on the myriad factors that may impact student performance. The District believes that inadequate educational funding, even if stable, detrimentally impacts student performance. For districts like Oakland Unified, where schools must serve a variety of students' physical, mental, social, safety, linguistic, and academic needs, incremental cost of living increases to educational funding that are insufficient to cover increasing mandated costs, will continue to contribute to poor student outcomes.

Relatedly, research data reflects that high teacher and administrator turnover negatively impact student performance; adequate funding is a component of retention, particularly in the context of the current teacher shortage.

Finding 18-11: Operating 86 schools is unsustainable and will lead the district to insolvency.

The District agrees with this finding in part. Assuming that all current conditions, including revenue, enrollment, class sizes, staffing levels, number of schools, and expenses, remain the same, the District will continue to operate at a fiscal deficit and will become insolvent. Reducing the number of District-operated schools is one way to reduce expenditures. However, from prior experiences, the District believes that to reduce potential loss of enrollment (and corresponding revenues) and avoid unintended consequences, school consolidations need to be thoughtful and focused upon increasing quality options for all students.

As reflected in a comprehensive independent study, Oakland Unified School District New Small Schools Initiative Evaluation by Ash Vasudeva, Linda Darling-Hammond, Stephen Newton & Kenneth Montgomery The School Redesign Network at Stanford University, the Oakland community has indicated previously that it values small schools and regarded many as successful. These perspectives and outcomes must be balanced with the District's resources and commitment to a citywide system of high-quality schools.

Alternatively, if the District increases enrollment or other revenue options, such as

optimizing under-utilized property, or decreased expenses, the current school portfolio may be more sustainable. The Board, through its Special Committee on Fiscal Vitality, is currently exploring a variety of options and combinations of ways to eliminate the structural deficit.

Lastly, there are some factual inaccuracies in the report relating to Rudsdale Academy and the School of Language (SOL). Contrary to the report, Rudsdale Academy is not a new school. Rudsdale Academy is an alternative high school that opened in 2001; prior to that it operated as a continuation high school and prior to that it was a traditional high school. Although SOL was a new school in 2017-18, there was a great deal of strategic planning, development, and community outreach for years preceding the formal Board vote to open the school. Oakland SOL was added to the District's portfolio of schools in order to build a PK-12 multilingual pathway in alignment with the district's strategic plan to "implement strategies that accelerate academic achievement while closing the opportunity gap" (OUSD Pathway to Excellence, 2014) and create strong pathways and feeder patterns in every Oakland neighborhood (OUSD Superintendent's 2016-17 Workplan). The English Language Learner and Multilingual Achievement (ELLMA) office and the Office of Continuous School Improvement supported the launch of Oakland SOL middle school as a critical component of growing equitable dual language/bilingual pathways in furtherance of the District's 2015-2018 plan for improving outcomes for English Language Learners (ELL Roadmap for Success 2015-2018). This lengthy planning process and alignment to the District's strategic plan, particularly for underserved students, was not captured in the Grand Jury's report.

Finding 18-12: Collaboration between traditional public schools and charter schools operating in the district benefit all students in Oakland Unified School District.

The District agrees with this finding in part. The District does not believe that expending precious, limited resources fighting with charter schools is beneficial to students living in Oakland. The District agrees that collaborating with charters about school quality standards, enrollment and feeder patterns, professional development, placement of programs, special education, governance, fiscal transparency, equity and innovation would be beneficial to students in Oakland. However, there are some areas in which District schools and Charter schools have divergent interests and differential standards imposed by the Education Code. For example, the California Charter School Association, on behalf of its Oakland charter school member(s), initiated and is currently pursuing litigation against the District which the District is vigorously defending.

In spring 2018, the Board worked diligently to debate and discuss various issues relating to District and charter schools and the number of schools in Oakland. The discussions culminated in a robust, visionary, and collaborative new Board Policy 6006 Community of Schools (attached). The work to build a citywide plan for a coherent community of schools is ongoing and a retreat on the issue is anticipated for November 2018.

Recommendation 18-7: The Oakland Unified School District Board of Education must participate in governance training, emphasizing that they are policy makers, not day-to-day administrators.

This recommendation has been partially implemented. In 2017-18, the entire Governing Board engaged in numerous governance training retreats and special meetings with Ron Bennett of School Services of California (6/12/17 and 10/5/17), Barbara Anderson and Allan Alson through Panasonic Foundation (10/5/17, 1/20/18, 6/7/18), and Victor Cary of the National Equity Project (5/9/17, 8/3/17, 8/30/17, 10/5/17). In addition, numerous individual board members engaged in individual professional development to assist them in their roles, including attending conferences of the Government Finance Officers Association, Council of Great City Schools, and California School Boards Association. The Board has committed to ongoing governance training in the 2018-19 school year, including a governance retreat/ new board member orientation planned for January 2019.

Recommendation 18-8: The Oakland Unified School District Board of Education members must communicate with district officials through the superintendent.

This recommendation has been partially implemented. In a Board Retreat in August 2018, Superintendent Johnson-Trammell and the Board discussed communication protocols in which the Board would direct its communications through the Superintendent and her "CORE Team" of direct reports with a copy or summary to the Superintendent. The consensus of the Board agreed to such communication protocols, but the protocol has not been formally adopted in the Board's Governance Handbook.

Recommendation 18-9: The Oakland Unified School District must establish a position control system that tracks staff allocation and spending, and better interfaces with payroll systems.

This recommendation has been partially implemented. In July 2018, the District transitioned to a new financial management system, "ESCAPE", which is fully-integrated with and hosted on the Alameda County Office of Education's servers. As a result, the District anticipates that it will have enhanced controls, data, uniformity, and support from the County. In addition, the District hired a new chief business officer, Marcus Battle, who has extensive business, finance, and systems experience. The District also hired a new Chief Financial Officer, Ofelia Roxas, who is a certified public accountant with experience in school districts and county offices of education. In addition to the ESCAPE implementation, the new business and operations team are in the process of updating fiscal policies and administrative regulations and identifying training needs of the District.

As detailed above, in 2017-18, the Board passed several policies and resolutions to address these concerns, including a new reserve policy (Board Policy 3100.1) to help prioritize its reserves and ensure that the District is not overspending in staffing and Board Resolution 1718-0069 to monitor implementation of FCMAT's recommendations.

Recommendation 18-10: The Oakland Unified School District must provide school site administrators with comprehensive training regarding position control and budgetary policies.

This recommendation has been partially implemented. In connection with the transition to a financial management system, ESCAPE, school site administrators, school support personnel, and central office staff were offered a series of trainings (April - August 2018) on how to use the new system. ESCAPE includes multiple levels of approvals for hiring, budget modifications, and purchasing transactions; greater keying error and omission safeguards; and more real-time, accurate information for users and supervisors to ensure compliance with budgetary policies. In addition, business leaders are reviewing and updating board policies and administrative regulations to recommend potential updates and improvements. As new policies are developed and training gaps identified, additional trainings and/or support for school site administrators will be developed.

Recommendation 18-11: The Oakland Unified School District must not hire any new staff or institute any new program unless there is money in the budget beforehand to fund them.

This recommendation has been implemented. Beginning in January 2018, any contracts that were submitted to the Board for approval were required to have a funding source with sufficient funds identified. Similarly, no position can be posted without the fiscal team identifying the budget and corresponding position code in the budget and no employee can be hired and begin work without a designated funding source. The District anticipates ongoing support and oversight from the Alameda County Office of Education, FCMAT, and its State Trustee to review budgeting and spending.

Recommendation 18-12: The Oakland Unified School District must develop a transparent budget platform that better informs the Board of Education and the public regarding long-term consequences of financial decisions.

This recommendation has been partially implemented. The District has a comprehensive, customizable database of its budget and historical budgets available on its website at <https://www.ousd.org/fiscaltransparency>. In addition, the Board has appointed a Special Committee for Fiscal Vitality that is charged with, among other things, making recommendations to reduce the structural deficit. The Special

Committee anticipates holding approximately fourteen meetings from August to December 2018 and is engaging community to build awareness and understanding and to exchange ideas for solutions. The meetings, like the District's Board meetings, are recorded and available online.

Although the historical and current information is available online, there are fewer resources available for the public regarding the potential future consequences of the District's structural deficit. The Board is looking for ways to engage a broader, more diverse cross-section of the Oakland community beyond standard Board meetings.

APPENDIX

Board Policies

Board Policy 3100.1 – Financial Reserves

Board Policy 3100.2 – Structurally Balanced Budget

Board Policy 3650 – Enrollment Impact Analysis

Board Policy 6006 – Community of Schools

Board Resolutions

Board Resolution 1718-0069 FCMAT Implementation Plan

Board Resolution 1718-0087, 1718-0087A Confirming District's Commitment to Fiscal Solvency

Board Resolution 1718-0144 Commitment to Continuous Improvement of Fiscal Practices

Board Resolution 1718-0197 Direction FY 18-19 and 19-20 Budget Reductions

Board Resolution 1718-0242 Confirmation of Commitment to Fiscal Solvency

Fiscal Vitality Plan & Implementation Updates

2018-2020 Fiscal Vitality Plan Recommendations Responsive to the 2017 FCMAT Fiscal Health Risk Analysis

2018-2020 Fiscal Vitality Implementation Plan Update March 14, 2018

2018-2020 Fiscal Vitality Implementation Plan Update #2 May 23, 2018

2018-2020 Fiscal Vitality Implementation Plan Update #3 September 12, 2018

Board Policies

OAKLAND UNIFIED SCHOOL DISTRICT

Board Policy

Business and Noninstructional Operations

BP 3100.1

Financial Reserves

I. Authority

The Board of Education is responsible for legislation, policy formulation, and overall direction setting of the Oakland Unified School District ("The District"). This includes the setting of budget priorities and approval of financial policies which establish the structure for the District's operations. The Superintendent is responsible for carrying out the policy direction of the Board of Education and managing the day-to-day operations of the executive departments, including the Finance Division.

II. Purpose:

The District shall strive to maintain certain reserve funds to provide financial stability and to guard students and educators against service disruption in the event of unexpected temporary revenue shortfalls, unanticipated economic downturns, or unpredicted one-time expenditures. In addition, this policy is intended to set the preferred Reserve level to sustain the District's strong credit ratings. The General Fund Operating Reserves are accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

This policy establishes the amounts the District will strive to maintain in its General Fund Operating Reserve, how the Reserve will be funded, and the conditions under which Reserve may be used. To the extent that the District reserve levels are not currently within the goals set by this policy or later fall below the goals, a plan shall be developed to phase in this policy within the District's three year budget cycles.

III. Applicability and Scope:

This policy shall apply to the General Fund.

IV. Policy:

A. Levels - State law requires available reserves for the District's budget year or two subsequent fiscal years to be at 2% of total expenditures and other financing uses. (CCR 15450). The Board views the 2% as a floor for the desired level of reserves, and, based on best practices¹, the

¹ See Government Finance Officers Association, "Appropriate Level of Unrestricted Fund Balance in the General Fund" <http://gfoa.org/appropriate-level-unrestricted-fund-balance-general-fund> Accessed April 24, 2017; "Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures."

District strives to budget and maintain a minimum level of Unassigned Fund Balance in the General Fund equivalent to three months of regular, on-going operating expenditures (including transfers out). In calculating the appropriate levels of reserve, significant one-time expenditures should be excluded. The District will measure its compliance with this policy as of June 30th each year, as soon as practical after final year-end account information becomes available (using Estimated Actuals for an initial assessment and Unaudited Actuals for further review). During the course of the year, the Finance Division shall closely monitor the District's revenues and expenditures to ensure Reserves are not used beyond any planned expenditure.

If, based on staffs analysis and forecasting, the target level of Reserves is not being met or are likely to not be met at some point within a three-year time horizon, then during the annual budget process, Fund Balance levels will be provided to the Board of Education. Should the projected year-end Fund Balance be below the minimum Reserve amount established by this policy, a plan to replenish the Reserve, within one to three years, would be established based on the requirements outlined in this policy.

B. Periodic Review of Appropriate Reserve Targets - At a minimum, during the budget process, staff shall review the current and three-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors to which the District is subject. The Finance Division will prepare an annual report with a recommendation to the Board of Education regarding the appropriate level of reserve. Within the context of long-term forecasting, the Finance Division should consider a variety of factors, including:

- i. The predictability of revenues and the volatility of expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
- ii. Exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
- iii. The potential drain upon general fund resources from other funds, as well as, the availability of resources in other funds;
- iv. The potential impact on the District's bond ratings and the corresponding increased cost of borrowed funds;
- v. Commitments and assignments (i.e., the Board of Education may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose). The Board of Education may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance, rather than on unrestricted fund balance.

C. Funding the Reserve - Funding of General Fund Reserve targets will generally come from excess revenues over expenditures, vacancy savings, or one-time unrestricted revenues.

D. Conditions for Use of Reserves - It is the intent of the Board to limit use of General Fund Reserves to address unanticipated, Non-Recurring needs. Reserves shall not normally be applied to recurring annual operating expenditures. Reserves may, however, be used to allow time for the District to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

E. Authority over Reserves - The Board of Education may authorize the use of Reserves. The Finance Division will regularly report both current and projected Reserve levels to the Board of Education.

F. Replenishment of Reserves - In the event that Reserves are used resulting in a balance below the three months minimum, a plan will be developed and included in the formulation of the three-year forecast presented during the annual budget process.

G. Excess of Reserves - In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

- i. Fund accrued liabilities, including but not limited to debt service, pension, and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget resolution. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
- ii. Appropriated to lower the amount of bonds or contributions needed to fund capital projects in the District's CIP;
- iii. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
- iv. Start-up expenditures for new programs, provided that such action is approved by the Board of Education and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Finance Division.

V. Quality Control and Quality Assurance

It is the responsibility of the Superintendent or designee to ensure the presence of procedures that provide sufficient guidance to affected District personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

8/9/17

OAKLAND UNIFIED SCHOOL DISTRICT

Board Policy

Business and Noninstructional Operations

BP 3100.2

Structurally Balanced Budget

I. Introduction

The state requires that Oakland Unified School District (“the District”) adopt a budget which maintains a two percent reserve for economic uncertainty. However, even a budget that is balanced, in that sources equal uses, may not necessarily be sustainable because on-going expenditures could be supported by temporary or highly volatile revenues. The District would experience financial distress when these temporary or volatile revenues were no longer sufficient to cover on-going expenditures. This policy supports the on-going financial sustainability of the District by advancing a more sustainable definition of a balanced budget – the structurally balanced budget.

II. Definitions

This section defines key terms related to a structurally balanced budget:

Ongoing revenues are the portion of the District’s revenues that can reasonably be expected to continue year to year. California’s per pupil funding allocation (including Base, Supplemental, and Concentration funding) is an example of recurring revenue.

One-time revenue cannot be reasonably expected to continue from year to year. A grant with a term of one year, or one-time revenues from the state to support Common Core implementation (2013-14) are good examples of a non-recurring revenue.

Some revenue sources may have both non-recurring and recurring components. These sources require the District to exercise judgment in determining how much of the source is truly recurring. Every year, school districts receive shared revenue from the state, but at least part of the total revenues varies according to the deliberations of the state legislature each year.¹ As a result, it is prudent to regard unusually high revenue yields as a non-recurring revenue under the assumption that such revenues are unlikely to continue, making it imprudent to use them for recurring expenditures.

Ongoing expenditures appear in the budget each year. Salaries, benefits, materials and services, and asset maintenance/replacement costs are common examples of recurring expenditures. In general, recurring expenditures should be those that the District expects to fund every year in order to maintain current/status quo service levels.

¹ Developer Fees: Fees can be expected to come in, but can vary year to year.

One-time expenditures comprise special projects such as capital improvements, asset acquisition, and other costs that the District incurs infrequently. In general, the District has a greater degree of flexibility to defer non-recurring expenditures than recurring ones.

Reserves are the portion of fund balance that is set aside as hedge against risk. The District has defined a minimum amount of funds it will hold in reserve. This serves as a “bottom line measure” to help determine the extent to which the District’s structural balance policy is being met – if reserves are maintained at their desired levels, it is an indication that the District is maintaining a structurally balanced budget. If reserves are declining, it may indicate an imbalance in the budget (e.g., if reserves are being used to fund on-going expenditures).

III. Structurally Balanced Budget Goal

The District shall endeavor to adopt a structurally balanced budget. Generally, this means that ongoing expenditures should be covered by ongoing revenues and that one-time revenues should be used to fund one-time expenditures. On occasion, the ongoing revenues may cover the one-time expenditures when revenues increase.

The District’s finance staff shall develop a budget presentation that shows the District’s progress in achieving a structurally balanced budget.

IV. Structurally Balanced Budget Directives

While it is the Board’s intent to provide the District and staff with flexibility on how to pursue and achieve a structurally balanced budget, there are some points which the District should observe very closely when developing a budget.

- **Planned use of a reserve:** If there is a planned use of the reserve that would have a negative impact on the fund balance, that use is accompanied by a plan to address the expenditures causing the draw down of the reserve and to restore to reserve level consistent with Board Policy BP 3100.1 Financial Reserves.
- **Employee compensation and one-time revenues.** Except in extreme circumstances, one-time revenues and especially reserves should not be used to fund employee ongoing compensation (i.e., compensation based on salary schedule v. extended contracts), unless such funds are specifically intended to fund short-term employees. One such exception might be a severe economic downturn where one-time revenues are temporarily used to ease the transition to an expenditure structure that is in line with new economic realities. Even this should only be done in the context of plan to return to structure balance and replenish any reserves that had been used consistent with Board Policy BP 3100.1 Financial Reserves.
- **Operating and maintenance costs of capital assets purchased with one-time revenues.** While capital assets are often a good investment to fund with one-time revenues, the District’s analysis of the feasibility and sustainability of developing capital assets shall include the long-term operating and maintenance costs of such investments, in context of other factors such as outstanding debt obligations. Investments in capital assets should not

create new on-going expenditure obligations that the District cannot maintain.

- **Replacement of short-lived assets and one-time revenues.** The District shall give preference to using one-time revenues to replace assets that have outlived their useful lives over purchasing entirely new assets, where the replacement of the obsolete or expired assets is critical to the maintenance of the District's core priorities and programs. A replacement schedule for such assets is a good indicator of when to budget for these items.

2/28/18

OAKLAND UNIFIED SCHOOL DISTRICT

Board Policy

Business and Noninstructional Operations

BP 3650

Enrollment Impact Analysis

The Board of Education is charged with the financial sustainability of Oakland Unified School District.

Student enrollment is the main driver of revenue for the school district.

Numerous decisions made by the Board annually have significant impact on district student enrollment.

The Board of Education desires to have more complete information regarding the potential impact of its decision-making on student enrollment and therefore the financial stability of the District.

The Board of Education shall require the Superintendent or designee to produce an Enrollment Impact Analysis, as described below, to accompany any documents furnished to the Board regarding changes in school programs in the District to assist the Board in informed decision-making.

An Enrollment Impact Analysis shall accompany Board consideration of any of the following: Proposition 39 offers that may require relocation of District students, new district and charter schools, closure of district and charter schools, grade expansions of district or charter schools, program changes for magnet schools, changes in the transportation services offered by District, relocation of programs from one location to another (including Special Education programs), collaboration with the charter sector around enrollment (i.e., a common enrollment system or use of district web or print materials to promote charter schools) and any other change in policy or practice that is likely to affect student enrollment in District.

The Enrollment Impact Analysis shall include information regarding the rationale for the proposed change, demographic trends in the attendance area, history of the relevant site (enrollment, where the students live/come from and go to), trend analysis (how many neighborhood kids attend, particularly in the entering grades), anticipated housing projects in the area, funding sources and analysis of funding sustainability, whether the program change under consideration was budgeted for in preparation for the change, and what the financial outcome is anticipated to be, if enrollment changes are expected as a result of the change.

The Enrollment Impact Analysis requirement shall be effective July 1, 2017, and is intended to inform Board decision making as it relates to school portfolio decisions, among others, in fall of 2017.

The Superintendent or designee shall produce Administrative Regulations that detail how this Policy will be implemented, for approval by the Board of Education, within 180 days of the adoption of this Policy.

4/12/17

OAKLAND UNIFIED SCHOOL DISTRICT

Board Policy

Instruction

BP 6006

Quality School Development: Community of Schools

The Board of Education (Board) is deeply committed to the vision of Oakland being home to high quality public education options for all students and families, no matter their race, ethnicity, zip code or income. To realize this vision, the Board directs the Superintendent to develop a citywide plan that promotes the long-term sustainability of publicly-funded schools across Oakland that represent quality and equitable educational options.

The Board recognizes that it has oversight over all Oakland public schools, both those run by the Oakland Unified School District (OUSD) and those run by various charter school operators and also acknowledges that it has a fiduciary responsibility to maintain the fiscal health and well-being of OUSD and its schools in order to provide a high-quality education to its students. The Board also recognizes that this is a competitive landscape with limited resources, and the OUSD Board and each charter school board is working to ensure that each student has what they need to succeed. Still, it is the Board's categorical expectation that all education providers operating or desiring to operate school programs in Oakland - district or charter – as well as families, staff, community members and labor unions, will accept shared responsibility for the sustainability of our school system and embrace the idea that we: (i) do not operate in silos, (ii) are interdependent in our efforts to serve all students and families; and (iii) need to act with consideration of the larger community of schools. We also recognize the challenging work ahead of building and rebuilding trust among the diverse members of our community in realizing this vision.

The Board is acutely aware of the legal constraints that limit its formal authority. Current state law does not currently allow the Board comprehensive authority on the location, authorization, oversight, and management of charter schools in Oakland. However, the Board is committed to establishing more high quality school programs and understands that this vision will not come without fiscal, legislative, and political challenges. The Board is prepared for the journey ahead and is committed to advocating for legislative changes that will result in greater and more effective control of the regulatory environment in which the school district operates.

To this end, the Board authorizes the Superintendent to increase access to high quality public school options for the students and families of Oakland using **quality, equity, utility, sustainability, and community benefit*** as guiding principles and factors during the redesign and reconfiguration of the OUSD that builds upon the current work of the Blueprint for Quality Schools process. This redesign should consider all OUSD-run schools and charter schools authorized by OUSD and Alameda County.

The Superintendent shall:

1. Use, and work with the Board to modify where needed, the Asset Management, Charter Authorization, Enrollment, Equity, Results Based Budgeting, School Governance, and Quality School Development policies as the guiding policies to create a **city-wide plan** by which all schools - both OUSD-run schools and charter schools authorized by OUSD and Alameda County - will be engaged, assessed, and leveraged to deliver more high quality school options in Oakland;

2. Address specific issues in such city-wide plan that include, but are not limited to:

a. Facilities- how OUSD can best leverage vacant, underutilized, and surplus properties and utilize facility use agreements to strategically engage all Oakland public schools-district or charter- so that (i) high-quality publicly funded schools across Oakland are able to serve all of its students, (ii) a fiscally sound number of schools exist given OUSD's student population and (iii) schools are located where more high quality options are needed.

b. Enrollment and Transportation - how OUSD can work with all Oakland public schools-district or charter - to better articulate feeder patterns across Oakland to ensure more **predictability** for families. This body of work should also include how charter schools will serve the same diverse populations of students, including students with special needs, Newcomers, unsheltered, low-income, foster, and English Language Learner students, as OUSD schools so that the highest needs students are not concentrated only in OUSD schools. Additionally, the superintendent shall work to articulate a process by which charter schools may rejoin the OUSD SELPA to facilitate the city-wide plan to provide an excellent, equitable education to all Oakland students.

c. Authorization- how OUSD can strengthen its role in oversight and accountability to ensure that all charter schools operating in Oakland are providing a high quality education and working to address inequities at their schools.

d. Sharing best practices – how best practices can be shared across all Oakland public schools, e.g., professional development, recruitment and retention of educators and other collaborative opportunities that improve equitable educational access for all Oakland students.

e. Defined Autonomies- how OUSD can best support continued innovation within OUSD schools and accelerate the number of high-quality school options within OUSD (i.e., by providing district schools similar autonomies to charter schools).

Deliver such plan to the Board by November 15, 2018, which will be ultimately voted on by the Board in January 2019, after sufficient community engagement and input.

6/27/18

*All Oakland public school students shall receive a high quality equitable education based on what they need using Board-approved indicators and metrics to measure improvement and success.

Board Resolutions

**RESOLUTION
OF THE
BOARD OF EDUCATION
OF THE
OAKLAND UNIFIED SCHOOL DISTRICT**

Resolution No. 1718-0069

Fiscal Crisis Management Assistance Team (FCMAT) Implementation Plan

WHEREAS, the Board of Education takes seriously the findings of the recent report from the Fiscal Crisis Management Assistance Team (FCMAT) addressing the deficiencies of protocol, policy implementation and accountability within OUSD, specifically the financial systems and practices; and

WHEREAS, the Board of Education endeavors to move swiftly to implement the recommendations from the Fiscal Crisis Management and Assistance Team, and

WHEREAS, avoiding educational disruption to our students, staff and larger school communities depends on improving the District's Financial Systems, Practices and Policies,

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Education hereby directs the Superintendent, or designee, to prepare an Implementation Plan and proposed budget to address the key findings and recommendations found in the Fiscal Crisis Management Assistance Team report of 2017 [August 15, 2017], for adoption by the Board no later than the second regular Board of Education meeting in October 2017 [October 25, 2017]; and

BE IT FURTHER RESOLVED, the Board of Education requests the Superintendent to provide at a minimum monthly updates, as well as more frequent updates when necessary, to the Budget and Finance Committee along with regular updates to the entire Board Of Education to coincide with the mandated financial reports - Interim Reports, Adopted Budget, and Closing of the Books, on the status and progress of implementation of said plan addressing the FCMAT recommendations for the duration of 2017-18 and 2018-19 School Years.

PASSED AND ADOPTED by the Board of Education of the Oakland Unified School District, this 27th day of September 2017, by the following vote:

AYE: Jumoke Hinton Hodge, Jody London, Aimee Eng, Shanthi Gonzales, Roseann Torres, Vice President
Nina Senn, President James Harris

NAY: None

ABSTAINED: None

ABSENT: None

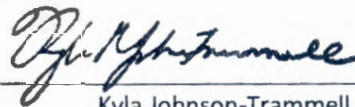
CERTIFICATION

We, James Harris and Kyla Johnson-Trammell, President and Secretary of the Board of Education of the Oakland Unified School District, respectively, do hereby certify that the foregoing Resolution was duly approved and adopted by the Board of Education of said District at its Regular Meeting held on the 27th day of September 2017, with a copy of the Resolution being on file in the Office of the Board of Education of the District.



James Harris
President
Board of Education

File ID Number: 17-1958
Introduction Date: 9/27/17
Enactment Number: 17-1417
Enactment Date: 9/27/17
By: 02



Kyla Johnson-Trammell
Secretary
Board of Education

**Resolution
of the
Board of Education
of the
Oakland Unified School District**

Resolution No. 1718-0087

Confirming The District's Commitment To Fiscal Solvency

NOW, THEREFORE, BE IT RESOLVED that for Step 1, in order to ensure that Oakland Unified School District remains fiscally solvent, and in accordance with the conditions of approval for the District's 2017-18 Adopted Budget as required by the County Superintendent, the Board of Education is committed to the following adjustments -- totaling \$15.1 million -- to the 2017-18 school year adopted budget to support the following priorities:

- \$1.2 million to restore the reserve for economic uncertainty to the state mandated minimum.
- \$7.2 million to increase the reserve for economic uncertainty in alignment with Board policy
- \$4.7 million to increase the District's contribution to restricted programs
- \$2.0 million to begin rebuilding the Self Insurance fund; and

BE IT FURTHER RESOLVED that for Step 2, in order to ensure that Oakland Unified School District improves its fiscal condition, the Board of Education is committed to the following adjustments -- totaling \$11.2 million -- to the 2018-19 school year adopted budget to support the following priorities for 2018-19:

- \$5.2 million to continue to build the reserve for economic uncertainty in alignment with Board policy
- \$6 million to rebuild the Self-Insurance Fund back to the level at the beginning of the 2016-17 school year; and

BE IT FURTHER RESOLVED for Step 3, that the preliminary 2018-19 school year budget, be presented to the Board of Education by December 13th and includes details in how the District will meet the goals delineated in Step 2 as well as the projected increases in PERS and STRS; and

BE IT FURTHER RESOLVED that all recommendations for cost reductions should be approached using a zero-based budgeting standard and justified in alignment with the board budget prioritization criteria produced by the Budget and Finance Committee (see attached); and

BE IT FURTHER RESOLVED that the reductions outlined above shall be reflected and incorporated into the District's 2017-18 First Interim Report and Multi-Year Projection, and shall be implemented no later than January 1, 2018.

**Resolution
of the
Board of Education
of the
Oakland Unified School District**

Resolution No. 1718-0087

Confirming The District's Commitment To Fiscal Solvency

Certification


PASSED AND ADOPTED by the Governing Board of the Oakland Unified School District on this 8th day of November, 2017 by the following vote:


AYES: Jody London, Aimee Eng, Jumoke Hinton Hodge, Roseann Torres,
Shanthi Gonzales, Vice President Nina Senn and President James Harris

NOES: None

ABSENT: None

ABSTENTIONS: None


James Harris
President
Board of Education
Oakland Unified School District


Kyle Johnson- Trammell
Secretary
Board of Education
Oakland Unified School District

File ID Number: 17-2316
Introduction Date: 10-30-17
Enactment Number: 17-1674
Enactment Date: 11-8-17
By:

Attachment 1: Recent Fluctuations and Expenditure Increases

Attachment 2: Guiding Principles Regarding Budget Development and Prioritization
(adopted by the Budget and Finance Committee October 4, 2017)

**Resolution
of the
Board of Education
of the
Oakland Unified School District**

Resolution No. 1718-0087A

**Confirming The District's Commitment To Fiscal Solvency
(As Amended)**

WHEREAS, the Closing of the Books for Fiscal Year 2016-2017 revealed: 1) A \$9.1 million increase in expenditures over levels projected in the 2016-2017 Third Interim Report; 2) OUSD ended the fiscal year \$8 million short of maintaining its 2% Reserve for Economic Uncertainties, a state-mandated requirement; and 3) OUSD used \$8 million from the Self-Insurance Fund to pay for General Fund expenses, leaving the Self-Insurance Fund with a balance of \$6.8 million; and

WHEREAS, the District's September 2017 budget revisions revealed that there were \$4.4 million unbudgeted for expenses; and

WHEREAS, the District is faced with significant additional PERS and STRS contribution for fiscal years 2014-15 through 2024-25; and employee benefits, including PERS and STRS, are projected to rise by \$8.2 million for the 2018-19 school year; and

WHEREAS, despite increased revenue from the implementation of Local Control Funding Formula, the District has experienced flat attendance over the past five years and has not made structural changes to its systems to account for the reduction from 50,000 student population decades ago to current approximation of 36,000; and

WHEREAS, increased expenditures and fluctuations between adopted and actual budgets in several budgetary areas, particularly in the following areas: Books & Supplies, Professional & Consulting Services, Certificated Supervisors & Administrators, and Classified Supervisors & Administrators (see attached); and

WHEREAS, the Board of Education recognizes that the current multi-year projection indicates that the District will need to identify expenditure reductions and/or revenue enhancements for each of the coming three school years and additionally; and

WHEREAS, the Board of Education has been advised of the risk of a qualified or negative interim certification and/or fiscal insolvency if such budget balancing solutions are not realized for 2017-18; and

WHEREAS, the Board of Education believes cuts to school site budgets should only be made as a last resort, if needed to maintain the District's fiscal solvency. If cuts to school sites are necessary, they

should be handled equitably, recognizing that each of our schools experiences varied fiscal realities and economic conditions; and

WHEREAS, the Board of Education would restore funds to schools if additional funding is obtained by the State or via other means in a manner that is consistent with the value of Equity and reducing impact to the most vulnerable school populations;

NOW, THEREFORE, BE IT RESOLVED that for Step 1, in order to ensure that Oakland Unified School District remains fiscally solvent, and in accordance with the conditions of approval for the District's 2017-18 Adopted Budget as required by the County Superintendent, the Board of Education hereby directs the Superintendent of Schools to make \$9 million in reductions to the 2017-18 school year adopted budget to support the following priorities:

- \$1.1 million to restore the reserve for economic uncertainty to the state mandated minimum.
- \$4 million to support unspecified risks identified by the Superintendent in her December 7 presentation, this amount to be held in the Board's reserve for economic uncertainty in alignment with Board policy
- \$3.9 million to support specified risks identified by the Superintendent in her December 7, 2017 presentation on our budget
- Set aside any one-time funds from the State to continue to build the reserve for economic uncertainty; and

BE IT FURTHER RESOLVED that 2017-18 adjustments should maximize dollars to school sites (BP 3150 Results Based Budgeting); ensure shared-decision making across stakeholders (BP 3625 School Governance Policy); and prioritize narrowing the academic and opportunity gaps between the highest and lowest performing students (BP 5032 Equity Policy) with the following priorities:

- a. Maximize the percentage of all OUSD revenues to be distributed to schools
- b. Preserve basic and critical services for highest needs students where school communities lack access to alternative funding streams or other resources acquired
- c. Equitably distribute financial resources based on the different needs and life circumstances of students
- d. Provide transparent communication around the impact of budget cuts for each site in order to more effectively harness our resources as a City and develop shared responsibility and solutions to support Oakland students
- e. Support district and school leaders and school communities to develop shared equitable solutions for every student in the District; and

BE IT FURTHER RESOLVED that in January 2018, the Superintendent will report to the Board on her progress identifying the \$400,000 in midyear adjustment listed in her December 13th presentation 'to be determined' and the plan for distributing those funds to school sites with high-needs students during Spring 2018; and

Legislative File Id. No. 18-0127
Introduction Date: 2/7/18
Enactment No.: 18-0557
Enactment Date: 3/28/18
By: cr

**RESOLUTION
OF THE
BOARD OF EDUCATION
OF THE
OAKLAND UNIFIED SCHOOL DISTRICT**

Resolution No. 1718-0144

Commitment to Continuous Improvement of Fiscal Practices

WHEREAS, the OUSD Board of Education is committed to the sustainability of our school district for current and future generations of Oakland students, and

WHEREAS, we are committed to accountability, accurate information, and embracing best practices, and

WHEREAS, financial stability is a foundational element in ensuring Oakland Unified School District is able to fulfill its vision and obligation to provide a world-class education to all of its students, and

WHEREAS, Board Policy 3150 directs the district and its schools to engage in cycles of continuous improvement, and

WHEREAS, effectively aligning budget resources to academic program priorities and outcomes requires intentional structures and support, and

WHEREAS, Foundational budget policies establish the guidelines for the following components: (1) Operating and capital Improvement projects; (2) Budget execution and controls; and (3) Revenues and expenditures. These policies shall address each of these elements and provide a comprehensive foundation for the establishment, execution and monitoring of the District budget, and

WHEREAS, establishing a more robust set of fiscal policies which more clearly outline the district's guidelines for budgetary decision-making; and set standards for sound budgetary practices and fiscal performance and foundational elements of a sound fiscal system, and

WHEREAS, and adopted set of budget policies that are consistently followed will assist the district in achieving its current and future goals in a fiscally responsible and sustainable manner, and

WHEREAS, utilizing nationally recognized best practices to established guidelines for developing and monitoring the district annual operating and capital budget will significantly speed the ability of the District to establish a sound fiscal system, and

WHEREAS, the Government Finance Officers Association (GFOA), founded in 1906, represents public finance officials throughout the United States and Canada. The associations more than 19,000 members are federal, state/provincial, and local finance officials deeply involved in planning, financing, and

implementing thousands of governmental operations in each of their jurisdictions. **GFOA's mission is to promote excellence in state and local government financial management, and**

WHEREAS, the GFOA is nationally recognized leader in public finance and provides resources such as best practice guidance, consulting, networking opportunities, publications, recognition programs, research, and training opportunities for finance professionals, and

WHEREAS, the GFOA has established is subgroup specializing in the unique needs of schools district's budgeting challenges,

NOW THEREFORE, BE IT RESOLVED that it is the intent of the Board of Education, through its Budget and Finance Subcommittee and in partnership with the Superintendent, to pursue foundational fiscal budget policies aligned to the principles and best practices established by the Government Finance Officers Association, and

NOW THEREFORE, BE IT RESOLVED that it is the intent of the Board of Education, through its Budget and Finance Subcommittee and in partnership with the Superintendent, to adopt the GFOA Smarter School Spending Framework and align district practices with the framework over the next three years, and

NOW BE IT FURTHER RESOLVED, in order to establish a goal to which it can track progress, the Board directs the Superintendent to apply for the GFOA Distinguished Budget Award three years from the passage of this resolution, and

NOW BE IT FURTHER RESOLVED, these policies and practices shall be reviewed on a regular basis to reflect the highest standards of fiscal management and the district's budgetary goals.

PASSED AND ADOPTED by the Governing Board of Education of the Oakland Unified School District, this 28th day of March, 2018 by the following vote:

PREFERENTIAL AYE:	Gema Quetzal (Student Director)
-------------------	---------------------------------

PREFERENTIAL NOES:	None
--------------------	------

PREFERENTIAL ABSTENTION:	None
--------------------------	------

PREFERENTIAL RECUSE:	None
----------------------	------

AYE: Jody London, Nina Senn, Roseann Torres, Shanthi Gonzales, James Harris, VP Jumoke Hinton Hodge, President Aimee Eng

NOES:	None
--------------	------

RECUSED:	None
-----------------	------

ABSENT:	Enasia Mc-Elvaine
----------------	-------------------

CERTIFICATION

We, hereby certify that the foregoing is a full, true and correct copy of a Resolution passed at a Regular Meeting of the Board of Education of the Oakland Unified School District held on March 28, 2018.

OAKLAND UNIFIED SCHOOL DISTRICT



Aimee Eng
President, Board of Education



Kyla Johnson-Trammel
Superintendent and Secretary, Board of Education

**RESOLUTION
OF THE
GOVERNING BOARD
OF THE OAKLAND UNIFIED SCHOOL DISTRICT**

RESOLUTION NO. 1718-0197

**BOARD OF EDUCATION - DIRECTION - FISCAL YEARS 2018-2019 AND 2019-2020
BUDGET REDUCTIONS**

WHEREAS, on January 25, 2017, the Oakland Unified School Board passed Resolution 1617-0122 which directed "at least \$14 million dollars be reduced from the unrestricted General Fund base program" in the development of the 2017-18 budget recommendations and asked staff to examine the district's school portfolio to maximize access to OUSD's high quality school programs (including opportunities to operate schools more efficiently through school consolidation) and to "develop and present a plan to address the consistent structural funding overages issue in Programs for Exceptional Children, Early Childhood Education, and the Cafeteria Fund"; and

WHEREAS, in May 2017, the Board took additional action to reduce an additional \$9.3 million in expenditures from the 2017-18 budget recommendations after the Spending Limitations Protocol was not yielding the desired results;

WHEREAS, in June 2017, the Senior Business Officer advised the Board of Education that he recommended a hiring freeze on all Central Office departments until after the Unaudited Actuals for 2016-17 was presented (Closing of the Books);

WHEREAS, the Closing of the Books for Fiscal Year 2016-2017 revealed: 1) A \$9.1 million increase in expenditures over levels projected in the 2016-2017 Third Interim Report; 2) OUSD ended the fiscal year \$8 million short of maintaining its 2% Reserve for Economic Uncertainties, a state-mandated requirement; and 3) OUSD used \$8 million from the Self-Insurance Fund to pay for General Fund expenses, leaving the Self-Insurance Fund with a balance of \$6.8 million; and

WHEREAS, the District's September 2017 budget revisions revealed that there were at least \$4.4 million unbudgeted for expenses, a hiring freeze was not implemented, and there were 75 positions that were hired for but not budgeted; and

WHEREAS, the Board passed Board Policy 3100.1 (Financial Reserves) in August 2017 which set an ambitious long-term goal of three months of operating expenditures to be held in the reserve for economic uncertainty, roughly equivalent to 10% of the district's operations; and

WHEREAS, in October 2017 the Budget and Finance Committee presented an update to the Board of Education acknowledging that “achieving fiscal solvency in the immediate and near-term will require sizeable upfront investment” and identified that between \$25.4 to \$27.4 in reductions will be needed to reach the Board’s goals; and

WHEREAS, based on the above research, the Budget and Finance Committee put forward a resolution which called for \$15.1 million in midyear reductions for the 2017-18 year and \$11.2 million in the 2018-19 adopted budget due to severity of the budget situation which was discovered after the Closing of the Books for the 2016-17 school year; and

WHEREAS, after several meetings held public on the budget through the Fall, on December 13, 2017, the Oakland Unified School Board directed the Superintendent to make \$9 million in reductions to the 2017-18 school year adopted budget to support the following priorities: 1) restoring the reserve for economic uncertainty to the state required minimum; 2) account for specified risks (potential increase in costs related to special education, transportation, food services, etc.); 3) account for unspecified risks (i.e. historic fluctuations between third interim and closing of the books); and

WHEREAS, the resolution also identified budget priorities and a methodology to use for the 18-19 school year which included: 1) building the reserve for economic security; 2) setting aside funds to rebuild the self-insurance fund; 3) setting aside any one-time funds from the State to rebuild the reserve for economic uncertainty; and

WHEREAS, in February 2018, the Board passed Board Policy 3100.2 (Structurally Balanced Budget) which states that the “District shall endeavor to adopt a structurally balanced budget” and that “generally, this means that ongoing expenditures should be covered by ongoing revenues and that one-time revenues should be used to fund one-time expenditures; and

WHEREAS, increasing mandated expenditures, increasing pension obligations, and flat revenue beginning 2019-20 will continue to hinder the district’s ability to achieve fiscal stability and solvency and further cuts that are not planned carefully and strategically will further erode public trust and may impact student academic achievement; and

WHEREAS, as of May 7, 2018, district staff is projecting that \$6.92 million will be recaptured in the 2017-8 year which is \$2.08 million short of the \$9 million goal for mid-year adjustments and the district is in jeopardy of falling below the 2% state mandated reserve for the third year in a row; and

WHEREAS, according to a presentation to the Board at the May 7 Budget Study Session, the combined unanticipated and anticipated expenditures increased by \$7.5 million from the 2017-18 adopted budget which does not account for the fluctuations generally seen between third interim and closing of the books; and

WHEREAS, the district's Board and staff recognizes the undue hardships that unplanned midyear reductions have on students, staff, schools, and departments;

THEREFORE BE IT RESOLVED that the Oakland Unified Board of Education hereby directs the Superintendent to:

1. Identify the target number that needs to be reduced in 18-19 and 19-20 that will satisfy obligations in the Resolution 1718-0087 including, but not limited to: restoring the reserve for economic uncertainty to at least 2%; not using one-time funds for ongoing expenditures; restoring the self-insurance fund; contributing to the Health Benefit Governing Board (HBGB); continuing our investment in human capital; and other timely, critical investments such as updated textbooks and curriculum based on new curriculum adoptions this year.
2. Present to the Board multiple options for meeting the goals of the December 2017 resolution, which are consistent with Board Policy 3150, which prioritizes maximizing dollars to school sites. Options should achieve a minimum of \$10 million in additional reductions for the 2018-19 year, and should focus on reducing ongoing expenditures and include examination of investing Supplemental and Concentration dollars and restricted funds (Title 1, etc.) directly at school sites;
3. Implement a hiring freeze on central department vacancies being funded by the unrestricted general fund, with the exception of the Chief Financial Officer and other critical positions in the Budget and Finance Department until after 2017-18 Unaudited Actuals are presented to the Board;
4. Present to the Board no later than October 2018 various options for cost efficiencies and associated costs savings in Transportation, Food Services, and Programs for Exceptional Children, such as coordinating bell schedules, that can be pursued for the 2019-20 school year as well as plans to outreach and engage impacted families and school communities;
5. In accordance with the Blueprint for Quality Schools recommendations in June 2018 and beyond, present the potential fiscal impact (immediate, near and long-term) including staff investments to implement the work on any recommendations coming to the Board and how the options will achieve the desired impact of access to high-quality school programs and operational efficiencies;
6. Present a preliminary 2019-2020 budget to the Board in December 2018; and

BE IT FURTHER RESOLVED that the Board's Budget & Finance Committee will hold a series of meetings in fall of 2018, focused on zero-based budgeting and making recommendations for the 19-20 school year.

Passed by the following vote:

PREFERENTIAL AYE:	None
PREFERENTIAL NOE:	None
PREFERENTIAL ABSTENTION:	Gema Quetzal (Student Director)
PREFERENTIAL RECUSE:	None
AYES:	Jody London, Roseann Torres, Nina Senn, Shanthi Gonzales, James Harris, President Aimee Eng
NOES:	Vice President Jumoke Hinton Hodge
ABSTAINED:	None
RECUSED:	None
ABSENT:	None

CERTIFICATION

We, hereby, certify that the foregoing is a full, true and correct copy of a Resolution passed at a Regular Meeting of the Board of Education of the Oakland Unified School District held on June 6, 2018.

Legislative File	
File ID Number:	18-1224
Introduction Date:	5/23/18
Enactment Number:	18-0951
Enactment Date:	6/6/18
By:	er

OAKLAND UNIFIED SCHOOL DISTRICT

Aimee Eng

Aimee Eng
President, Board of Education

Kyla Johnson-Trammell

Kyla Johnson-Trammell
Superintendent and Secretary, Board of Education

RESOLUTION
OF THE
BOARD OF EDUCATION
OF THE
OAKLAND UNIFIED SCHOOL DISTRICT

RESOLUTION No. 1718-0242

**CONFIRMING OAKLAND UNIFIED SCHOOL DISTRICT'S
COMMITMENT TO FISCAL SOLVENCY**

WHEREAS, the Board of Directors recognizes that the district is highly dependent on revenue from the State of California and that revenue source is dependent on the on-going stability of the California State economy;

WHEREAS, the Board of Directors recognizes that the Governor's 2018/2019 Budget proposal projects out year increases tied to cost of living adjustments only, and that these budget components have a direct impact on the District's multiyear projections;

WHEREAS, the Board of Directors further recognizes the impact of declining enrollment and increasing STRS/PERS pension costs on the District's budget;

WHEREAS, The Education Code specifies that on or before July 1 of each year each school district shall adopt a budget;

WHEREAS, Education Code section 42127(c) provides, in relevant part, that the County Superintendent of Schools shall:

"Determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments . . . [and] shall either conditionally approve or disapprove a budget that does not provide adequate assurance that the school district will meet its current and future obligations and resolve any problems identified in studies, reports, evaluations, or audits described in this paragraph."

WHEREAS, based on the District projections of revenue and expenditures and the District's current fiscal challenges, it is projected that the District will not meet its required minimum reserves in the 2019-2020 and 2020-21 fiscal years, and the District will have a negative ending fund balance (currently estimated at approximately -20,3000,000 and -\$59,000,000 respectively);

WHEREAS, the Board of Directors desires to minimize the impact on the level of service and quality of staff and education programs for District students;

WHEREAS, the Board of Directors recognizes that the District's health and welfare benefits package is a significant factor in the District's ability to recruit and retain highly qualified teachers and staff, and the

Board of Directors is committed to minimizing the impact on the level of such benefits within the District's fiscal constraints and without major disruption to plan benefits;

WHEREAS, the Board of Directors desires to avoid draconian budget reduction measures beginning in the 2019-2020 fiscal year;

WHEREAS, the Board of Directors remains committed to collaboration with its employee representatives and bargaining units in addressing the District's fiscal challenges in hopes of avoiding any draconian cuts to Reductions in Force;

WHEREAS, the Board of Directors recognizes that the current multiyear projection included in the District's proposed budget projects a negative fund balance of approximately \$20,300,000 in 2019-2020 fiscal year, and \$59,000,000 in the 2020-2021 fiscal year, and further recognizes that the projections may increase or decrease depending on the final State revenue allocated to Proposition 98 as adopted by the State of California in the 2018-2019 and/or 2019-2020 state budget, or any other changes to the multi-year assumptions;

WHEREAS, the Board of Directors recognizes that if the District's current fiscal circumstances do not change materially for the positive on or before January 31, 2019 then it will be necessary to either increase revenue and/or make appropriate expenditure reductions in order for the District to remain fiscally solvent beginning in FY 2019-20 and the two subsequent years fiscal as mandated by California State law;

WHEREAS, the Board of Directors has been advised of the risk in delaying reductions which may allow the projected negative ending fund balance (approximately -\$59,000,000) by 2020-2021 to grow larger;

NOW THEREFORE BE IT RESOLVED, based on the above recitals and in order to ensure that the Oakland Unified School District remains fiscally solvent, the Board of Director's is committed to reducing expenditures in all budget areas including, salaries, employee benefits, services and operating expenses, capital outlay, other outgoing and other financing sources;

BE IT FURTHER RESOLVED that, absent a material positive change in the District's projected revenues or reduction in District expenses, the District will be required to consider and implement budget reductions in force beginning in FY 2019-20 of at least \$27,000,000 beginning in FY 2019-2020 to address the District's negative ending fund balance;

BE IT FURTHER RESOLVED that, given the district's history of budget and fiscal miscalculations, the Board will require the District to establish a more conservative target for reductions to achieve a minimum of a 3% reserve beginning in FY 2019-20 in order to address unforeseen budgetary increases;

BE IT FURTHER RESOLVED that, during the 2018-19 fiscal year, the District will work in collaboration with the bargaining units and the Board to provide alternatives to reductions in force which would be enacted in the absence of new money or equivalent savings identified by January 31, 2019; and

BE IT ADDITIONALLY RESOLVED that the Board of Directors is committed to explore and pursue any and all options to increase revenue including local, state, federal grants, and additional remedies as provided by the State.

PASSED AND ADOPTED by the Board of Directors of the Oakland Unified School District, Alameda County, State of California, on June 27, 2018, by the following vote:

Passed by the following vote:

PREFERENTIAL AYE: None

PREFERENTIAL NOE: None

PREFERENTIAL ABSTENTION: Student Director Gema Quetzal

PREFERENTIAL RECUSE: None

AYES: Roseann Torres, Shanthi Gonzales, Nina Senn, James Harris, Jody London, Vice President Jumoke Hinton Hodge, President Aimee Eng

NOES: None

ABSTAINED: None

RECUSE: None

ABSENT: Student Director Enasia Mc-Elvaine

CERTIFICATION

I, Kyla Johnson Trammell, hereby certify that the foregoing is a full, true and correct copy of a Resolution passed at a Regular Meeting of the Board of Education of the Oakland Unified School District held on June 27, 2018.



Kyla Johnson Trammell
Secretary, Board of Education

Legislative File	
File ID Number:	18-1593
Introduction Date:	6/27/18
Enactment Number:	18-1046
Enactment Date:	6/27/18
By:	os

Fiscal Vitality Plan & Implementation Updates

Oakland Unified School District

2018-2020 FISCAL VITALITY PLAN

Recommendations Responsive to the 2017 FCMAT Fiscal
Health Risk Analysis



**OAKLAND UNIFIED
SCHOOL DISTRICT**

Community Schools, Thriving Students

1st Reading

Preface

The Fiscal Vitality Plan released on December 13, 2017 is a ***draft*** document available to the public for comment and input. The Oakland Unified School District (OUSD) leadership and staff welcome the feedback of the community over the coming weeks. The final adoption of the plan is anticipated to take place at the first Board of Education meeting in February 2018. It is important to note, that even after the adoption of this document it will remain a critical document used by OUSD staff to guide the stabilization, recovery, and vitality of the school district's financial health. This plan will require ongoing engagement and dialogue among the OUSD Board of Education, staff, and the community at large.

Table of Contents

Preface

Table of Contents

Executive Summary

Fiscal Vitality Plan Recommendations

Brief History and Current Context

2017 FCMAT Fiscal Health Risk Analysis

OUSD 2016-17 Fiscal Report (AB 139) from ACOE

Post-Mortem Report to the OUSD Board of Education

Board of Education Resolution No. 1718-0087

On the Horizon: Additional Budget Challenges

Addressing FCMAT Risk Factors

Chapter 1. Stability

2017-18 Mid-Year Budget Adjustments

Recommendation 1.1 - Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty

Recommendation 1.2 - Institute adjustments to existing Central Office positions

Recommendation 1.3 - Maximize the use of restricted revenue resources

Recommendation 1.4 - Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings

Recommendation 1.5 - Pursue capture of donated days and/or furlough

Recommendation 1.6 - Adjust school per pupil allocations to capture savings

Immediate Changes to Monitoring and Forecasting Practices

Recommendation 1.7 - Institute closer monitoring of contributions to other programs (e.g., special education, nutrition, and early childhood education)

Recommendation 1.8 - Update and implement budget forecast and projection practices

Recommendation 1.9 - Review and update cash flow monitoring practices

Recommendation 1.10 - Institute immediate protocols to limit and review spending among Central Office and school sites

Chapter 2. Recovery

Budget Development

Recommendation 2.1 - Plan for and adopt a balanced budget that avoids future deficit spending

Recommendation 2.2. - Establish and conduct zero-based budgeting sessions with all Central Office departments and schools

Recommendation 2.3 - Research, engage, and implement a Central Office reorganization

Internal Controls

Recommendation 2.4 - Institute and conduct monthly central office and school site budget monitoring practices

Recommendation 2.5 - Review, update and implement effective position control practices

Recommendation 2.6 - Develop a process for pre-approval for extra time employee payments

Recommendation 2.7 - Review and implement revised contract approval, processing and management procedures

Financial and Human Resource Information System

Recommendation 2.8 - Complete transition to Escape technology system to manage finance and human resource (HR) information

Revenue Maximization

Recommendation 2.9 - Review and execute on shifts in expenses that maximize the use of restricted funds

Chapter 3. Vitality

Budget Manager Roles and Responsibilities

Recommendation 3.1 - Role, responsibility of school district and school leaders with budget oversight

Other, Long-term Actions Towards Vitality

Recommendation 3.2 - Management and oversight of bargaining agreements

Recommendation 3.3 - Conduct and deliver study and recommendations from the 'Blueprint for Quality Schools'

Appendix

Appendix A. Budget Mgmt Update: Need for Fiscal Vitality and Stability

Appendix B. Results-Based Budgeting (BP3150 - Business and Non-instructional Operations)

Executive Summary

Core to the mission of a school district is to maximize the resources afforded to that system by the taxpayers to the benefit of the students that staff serve on a day-to-day basis. Poor management and oversight of the financial operations are an unwelcome distraction that draws attention away from the primary mission and purpose of the educational institution.

Unfortunately, this is the current circumstance for Oakland Unified School District (OUSD). Beginning in the winter of 2016, the school district began exhibiting signs of fiscal distress that continued to progress through the end of the 2016-17 fiscal year and carried into the 2017-18 fiscal year. OUSD ended the

2016-17 fiscal year with a unrestricted fund balance of \$3.4 million, which included a reserve for economic uncertainty of \$2.9 million. Further, the fund balance was \$5 million less than the \$8.4 million projected at the third interim financial reporting period and substantially less than the 2% required minimum reserve. The school district narrowly avoided state receivership by ensuring there was not a negative ending fund balance in the unrestricted general fund.

Understanding the gravity of the situation, staff began to organize to take deliberate steps to reign in spending and evaluate immediate and necessary changes to begin rectifying poor budgeting and financial practices. As a part of those deliberate steps, staff has developed an action plan - the **Fiscal Vitality Plan** - to consolidate and coordinate a series of recommendations to be implemented to support the district on its path to financial health and vitality. The Fiscal Vitality Plan is organized into three chapters - stability, recovery, vitality - that are intended to guide OUSD back on a path back to fiscal health and vitality.

The recommendations in the *stability* chapter (1) cover actions for the school district to implement in the immediate to short-term, one to six months, that will allow the district to stabilize its current situation and plan for the future.

The recommendations in the *recovery* chapter (2) cover actions for the school district to implement in the short- to medium-term, three to twelve months, that will allow the district to recover from its current financial situation and position itself to make decisions to ensure fiscal vitality in the future.

The recommendations in the *vitality* chapter (3) cover actions for the school district to implement in the medium- to long-term, six to eighteen months, that will allow the district to reach fiscal vitality and ensure that its financial practices support the organization's mission while maintain its fiscal health.

Fiscal Vitality Plan Recommendations

Below is the list of 23 recommendations for action to help rectify OUSD current, poor fiscal health. These recommendations are organized into three chapters as described above. Further, each recommendation identifies the year or years in which the recommendation would be implemented along with which fund or funds in the OUSD budget would be impacted by the recommendation.

Table 1. List of Fiscal Vitality Plan Recommendations

Rec #	Recommendation	Implement Year(s)	Fund(s) Impacted
1.1	Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty	2017-18, ongoing	General, Unrestricted

1.2	Institute adjustments to existing Central Office positions	2017-18	General, Unrestricted
1.3	Maximize the use of restricted revenue resources	2017-18, ongoing	General, Restricted
1.4	Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings	2017-18	General, Unrestricted
1.5	Pursue capture of donated days and/or furlough	2017-18	General, Unrestricted
1.6	Adjust school per pupil allocations to capture savings	2017-18	General, Unrestricted
1.7	Institute closer monitoring of contributions to other programs, e.g., special education, nutrition, and early childhood	2017-18, ongoing	General, Nutrition, Child Dev
1.8	Update and implement budget forecast and projection practices	2017-18, ongoing	All
1.9	Review and update cash flow monitoring practices	2017-18, ongoing	All
1.10	Institute immediate protocols to limit and review spending among Central Office and school sites	2017-18	General
2.1	Plan for and adopt a balanced budget that avoids future deficit spending	2018-19, ongoing	All
2.2	Establish and conduct zero-based budgeting sessions with all Central Office practices	2017-18	All
2.3	Research, engage and implement a Central Office reorganization	2018-19	All
2.4	Institute and conduct monthly central office and school site budget monitoring practices	2017-18, ongoing	All
2.5	Review, update and implement effective position control practices	2017-18, ongoing	All
2.6	Develop a process for pre-approval of extra time employee payments	2017-18, ongoing	All
2.7	Review and implement revised contract approval, processing and management procedures	2017-18, ongoing	All
2.8	Complete transition to Escape technology system to manage finance and human resource (HR) information	2017-18, 2018-19	All
2.9	Review and execute on shifts in expenses that maximize the use of restricted funds	2017-18	General, Restricted
3.1	Review and engage school district and school leaders to re-establish	2017-18, 2018-	All

	appropriate budget roles and responsibility	19	
3.2	Establish systems for the management and oversight of bargaining agreements	2017-18, ongoing	All
3.3	Consider and act on recommendations from the Blueprint for Quality Schools review	2018-19, 2019-20	General

This plan is intended to be dynamic and evolve over the coming months and years. Thereby, it should not be treated as a static document but one that should be monitored, updated, and improved over time as new information becomes available to staff.

Brief History and Current Context

Oakland Unified School District has a storied history with its fiscal health and recovery. An excerpt from a 2003 FCMAT report captures this well, stating:

“Another comprehensive review was performed in the fall of 2003 to evaluate the district’s progress on implementing the original recommendations [made in the January 2000 FCMAT report] ... reported that the district had not made any significant progress in addressing deficiencies noted or implementing the proposed recommendations.”¹

Understanding and acknowledging that historically a culture exists characterized by a lack of follow-through and attention to implementation is a vital and important step to ensuring that this is not repeated in the future. This is particularly true of this moment in time, as the school district finds itself on the precipice of another potential state takeover. Fast forward to the 2016-17 school year, the school district began experiencing signs of fiscal distress and the Board of Education took steps to request that FCMAT conduct a review.

2017 FCMAT Fiscal Health Risk Analysis

Evidence of a changing culture was the proactive step taken by the Board of Education to engage the Fiscal Crisis and Management Assistance Team (FCMAT) in 2016-17 as signs began emerging of fiscal distress. FCMAT completed a review of the district’s financial health and associated risk factors on August 15, 2017. The analysis revealed significant weaknesses within the school district’s financial procedures, processes, and controls. Further, the report pointed specifically to the deteriorating fund balance and the recent trend of year-over-year deficit spending by the district. Having identified 12 of the 20 risk factors with a rating of ‘No’ or ‘Mixed’, FCMAT concluded, “The district should take immediate action to avoid further erosion of the district’s reserve levels and possible fiscal emergency.”²

OUSD 2016-17 Fiscal Report (AB 139) from ACOE

Under AB 1200, California’s law establishing the parameters for oversight by county offices of education of school districts in their jurisdiction, clear steps are taken in circumstances that school districts are

¹ Fiscal Crisis and Management Assistance Team (FCMAT). September 30, 2003. *Assessment and Recovery Plan Update, September 30, 2003*. Petaluma, CA. Page 6.

² Fiscal Crisis and Management Assistance Team (FCMAT). August 15, 2017. *Oakland Unified School District: Fiscal Health Risk Analysis*. Petaluma, CA. Page 33.

exhibiting fiscal distress. In the case of OUSD, the Alameda County Office of Education (ACOE) recognized such a trends following its review of the OUSD's 2016-17 1st and 2nd interim financial reporting submissions (in December 2016 and March 2017, respectively). Subsequent to this, ACOE issued a letter to the district on September 15, 2017 under AB 139 reviewing its observations of the district's financial trends over the previous year.³ Many of the ACOE's observations echoed those reflected in the FCMAT Fiscal Health Risk Analysis and also draws attention to cash flow concerns and reminders of the parameters for short-term, temporary borrowing of cash from the Alameda County Treasurer.

Post-Mortem Report to the OUSD Board of Education

At the direction of the Board of Education under resolution 1718-0082: Specifying Details Requested In The Post-Mortem Report On The 2016-2017 Budget Crisis, staff with support from WestEd delivered a post-mortem report on the 2016-17 budget crisis on November 8, 2017. Substantial to the findings in this report were various key drivers that were impacting the financial health of the school district in the structural budget imbalance, revenues and expenditures. The report, among other things, highlighted several key drivers in each area, including⁴:

- Structural Budget Imbalance and Cash Flow: A lack of sufficient controls in place to manage for long-term balance and sustainability following the large infusion of revenues from the Local Control Funding Formula (LCFF);
- Revenues: Based on the use of roll-over budgeting the district was unable to carefully review the multi-year impact of expenditure decisions and revenue changes; and
- Expenditures: Current financial and human resource management systems and procedures are inadequate to ensure there is a robust position control process in place.

Identified as a next step from this report was a more detailed plan that brought forward recommendations that the district could implement to improve its fiscal solvency.

Board of Education Resolution No. 1718-0087

In response to the 2017 FCMAT Fiscal Health Risk Analysis, ACOE letter, and spurred by urgency to address the current fiscal crisis, the Board of Education passed resolution 1718-0087 effectively acknowledging the signals of fiscal distress and directing staff to seek adjustments to the 2017-18 budget

³ Alameda County Office of Education. September 15, 2017. *2016-17 Fiscal Report (AB 139)*.

⁴ Memo to the Oakland Unified School District Board of Education. *2016-17 Budget Crisis Post Mortem Report*. November 8, 2017. Page 3-8.

totalling \$15.1 million and subsequently in the 2018-19 budget another \$11.2 million in reductions. Staff has diligently worked to identify options to reach the targets set out by the Board of Education with a comprehensive update due at its December 13, 2017 meeting.

On the Horizon: Additional Budget Challenges

Further complicating the financial position of the district are externally-driven expenditure pressures. Notable among these are the increased in the employer contributions to the retirement for STRS (certificated employees) and PERS (classified employees). Rates for these retirement programs are projected to triple from the beginning of the rate increases in 2013-14 through 2023-24. This places tremendous pressure on district budgets statewide, effectively requiring reductions in spending in other areas to accommodate forthcoming expenditure increases in this area.

Specific to OUSD, data and analysis conducted during the 2016-17 school year suggests that the school district continues to experience growth in its special education population with many of those students exhibiting a high-level of need. This trend means that not only is the proportion of students with disabilities to the general education population is growing but those students with disabilities are coming to the school district with more severe and costly issues to address.

In both of these additional budget challenges, it confronts the need to anticipate and plan for eventual budget increases that require tighter control over spending for the district in the forthcoming years.

Addressing FCMAT Risk Factors

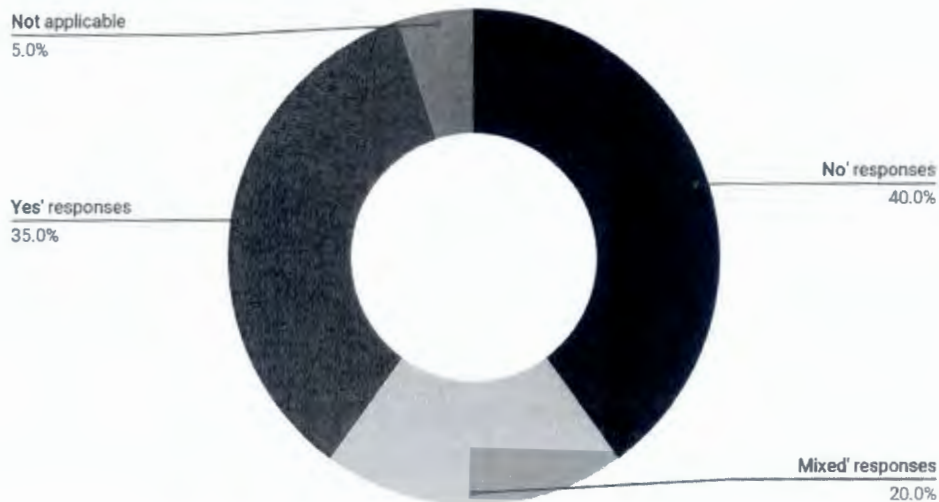
The FCMAT report delivered to the OUSD Board of Education on August 15, 2017 contained an assessment of the 20 risk factors created by FCMAT to support California school districts “to evaluate key fiscal indicators that may help measure a school district’s risk of insolvency in the current and two subsequent fiscal years.”⁵ No single indicator signals fiscal distress, but the report goes on to say, “districts that answer ‘No’ to seven or more of the 20 key indicators may have cause for concern and could require some level of fiscal intervention. The more indicators identified [with a ‘No’ or ‘Mixed’], the greater the risk of insolvency or fiscal issues.”⁶

The report reveals the following overall ratings for OUSD:

⁵ Fiscal Crisis and Management Assistance Team (FCMAT). August 15, 2017. *Oakland Unified School District: Fiscal Health Risk Analysis*. Petaluma, CA. Page 3.

⁶ Ditto.

FCMAT Risk Analysis by Response Type



OUSD received eight (8) 'No' responses, which exceeds FCMAT's threshold for districts at risk of insolvency. Further, another four (4) responses were 'Mixed' bringing a total of 60% of the responses as either 'No' or 'Mixed'. The Fiscal Vitality Plan addresses each of the risk factors identified as 'No' or 'Mixed' in FCMAT's report. The chart below provides a crosswalk between each of the identified risk factors and recommendations includes in the Fiscal Vitality Plan. Note that three additional factors have been added that were marked as 'Yes', but remain vitally important to addressing the school district's challenges. These include: (a) budget development and adoption, (b) multi-year projections, and (c) internal controls and audit reports.

Table 2. Crosswalk of FCMAT Risk Factors and Fiscal Vitality Plan-Responsive Recommendations

Risk Factor	Rating	Summary FCMAT Recommendations	FVP-responsive Recommendations
Deficit Spending	No	Adopt a plan to eliminate deficit spending	2.1, 2.2, 2.3, 2.4
Fund Balance	No	Monitor contributions and transfers to restricted programs	1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7
Reserve for Economic Uncertainty	No	Develop a plan to restore and maintain reserve	1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7
Enrollment and Attendance	Mixed	Monitoring plan; new housing; industry, charter schools, birthrates; FTE changes	2.1
Cash Monitoring	Mixed	Plan for short-term cash flow needs; inter-fund transfers	1.9

Bargaining Agreement	No	Bargaining beyond COLA must be supported by available fund balance	3.2
General Fund	Mixed	Track one-time revenues with one-time expenditures; plan for realignment or elimination of positions funded	1.3, 2.9
Encroachment	No	Special ed, nutrition and early childhood cost containment; evaluate transportation and bell schedules	1.7
Position Control and Human Resources	No	Tracking, creating, and deleting positions; reconciling HR, budget and payroll systems	1.2, 2.5, 2.6, 2.8
Budget Development and Adoption	Yes	Budget development timeline and procedures	2.1, 2.2, 2.3
Multi-year Projections	Yes	Zero-based budgeting	2.2
Budget Monitoring and Updates	No	Budget exception framework	2.4
Leadership Stability	No	Culture and practices that promote and support systematic reform	3.1, 3.2, 3.3
Internal Controls and Audit Reports	Yes	Ensure continuity and consistency in the application of internal controls	2.4, 2.5, 2.6, 2.7, 2.8
General Ledger	Mixed	Strengthen communication among financial services departments	1.7, 1.8, 1.9, 1.10

Making the changes necessary to achieve and sustain fiscal vitality is not a checklist process, rather it requires systematic changes in policies, processes, and practices. The details contained within the Fiscal Vitality Plan address each of these areas and includes a timeline, which spans multiple years, as complex change takes time, especially if changes are to become part of the new culture of the district.

Chapter 1. Stability

The recommendations in this chapter cover actions for the district to implement in the immediate to short-term, one to six months, that will allow the district to stabilize its current fiscal situation and create some room to plan additional, future changes on the path to fiscal health and vitality.

2017-18 Mid-Year Budget Adjustments

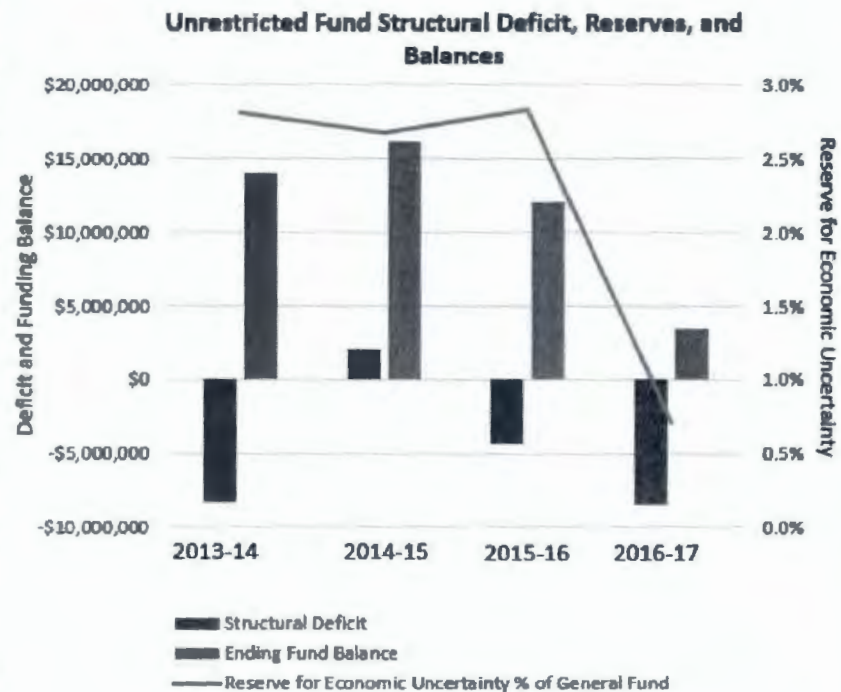
Following the ACOE's letter describing its concerns with the district's budget and fiscal solvency on September 15, 2017, the district developed a plan to institute mid-year budget adjustments for the 2017-18 school year with a goal to address its structural budget imbalance, including rebuilding its ending fund balance to meet the state-mandated minimum reserve levels (2% for OUSD). The following recommendations relate to actions take to identify and implement mid-year budget adjustments.

Recommendation 1.1 - Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty

Overall Impact:	OUSD <u>must</u> maintain its 2% reserve for economic uncertainty as established in California state law to continue to operate under the authority of its local governing board. As of the 2017-18 1st interim financial report, the school district remains \$1.1 million short of meeting that minimum reserve level.
Action Required:	The district has identified mid-year budget adjustments, for the 2017-18 school year, which includes a combination of revenue increases, expense shifts from unrestricted to restricted resources, and cuts, that must be implemented to ensure that the 2% state-mandated minimum reserve is met. Once the Board of Education approves the recommended adjustments, staff will need to implement and monitor those adjustments to ensure savings are realized.
Timeline to Implementation:	The 2017-18 unaudited actuals, at the latest, should ensure that the 2% state-mandated reserve is met. Progress towards closing the current \$1.1 million gap should be seen during the 2nd and 3rd interim, and estimated actuals.
Background:	Both FCMAT and the ACOE have brought this issue to the attention of the district as a vital and mandatory, minimum step to maintaining fiscal solvency and retaining local control over the district's operations. In 2016-17 the district depleted its reserves, therefore options used in the past such as relying on prior year ending fund balances or borrowing from other funds are no longer options.

Rationale:

The 2016-17 Post-Mortem Report highlighted this significant risk factor specifically citing the trend in the district's ending fund balance and structural deficit as shown in the chart below.



Also, the Board of Education has in place a 3% reserve policy ([BP 3100.1: Financial Reserves](#)) which can be a subsequent goal to re-establishing the 2% state-mandated minimum reserve levels.

Recommendation 1.2 - Institute adjustments to existing Central Office positions

Overall Impact:	To address its structural deficit the district needs to reduce central office operating costs, which necessitates reductions to central office staffing levels. Due to contractual obligations, the district is limited in the types of positions that can be immediately adjusted or eliminated. Through a combination of vacancy savings, reductions, and shifts the district can realize immediate central office personnel cost reductions. Mid-year central office personnel adjustment are estimated to be approximately \$2.1 million.
Action Required:	<p>Given the size of the budget reductions needed for 2017-18, reductions in personnel are needed. The first step the district can take is to implement a hiring freeze for all non-essential positions (excludes any positions required to meet basic health, safety, and other legal or contractual requirements). This action will result in budgeted/authorized positions being left vacant. The district's adopted budget assumes approximately \$6 million in vacancy savings, which is proposed to increase to \$7.6 million, after instituting a hiring freeze effective November 2017. The district will also need to identify further cuts to existing and filled central office positions. Criteria for identifying such positions as mid-year cuts for 2017-18 include:</p> <ul style="list-style-type: none">• Non-essential position (not required to meet basic, health, safety, or contractual requirements)• Contractual agreements allow for mid-year position elimination (excludes certificated and some management positions)• Minimal impact on the delivery of instruction and school site operations at school sites• Not associated with a key district priority <p>The district estimates that approximately 24 FTE central office positions can be eliminated, 16 FTE can reduce assignment level, and 21 FTE can be funded from a non-unrestricted general fund resource, for a total impact of \$2.1 million in savings. Once the district identifies the central office positions that will be eliminated, reduced, or assigned a different funding source for the district to realize estimated savings (1) Human Resource must eliminate identified vacant positions from the personnel system so that they cannot be filled, (2) Human Resources notices affected staff in positions that are reduced or eliminated no later than December 15, 2017 so adjustments can be in effect by January 31, 2018, (3) Budget and Human Resources coordinate to make adjustments to all positions that are shifted from the unrestricted general fund to a new resource and ensure that such personnel are aware of how this shift may affect their duties, (4) Human Resources proposed a process to the Superintendent to manage new requests for central office positions, which will ensure that planned adjustments are made and no anticipated position are added, (5) the Superintendent, or designee, communicates to all central office departments about the hiring freeze and</p>

	updated procedures, (6) Human Resources and Finance teams work together to monitor on a weekly basis changes to review staffing levels and funding for central office personnel including all positions and positive pay.
Timeline to Implementation	As noted above, immediate action is needed. Delays in taking action reduce the amount that will be recognized as part of this savings strategy. All affected positions should be notice no later than December 15, 2017, with adjusts in effect by January 31, 2018. Weekly review of data by Human Resources and Finance regarding open positions, status of eliminated or reduced positions, and confirmation of financial information should take place.
Background:	The District has declined in enrollment significantly over the past 12+ years (approximately 48,000 students in 2003-04 to 36,800 in 2016-17), yet the level of staffing at school sites and the central office have not fully adjusted to the dramatic drop in size of the district. The district is working on a Blueprint for Quality Schools to address its structure and self-sustaining size for central office and school sites, which will provide a helpful plan for future, ongoing adjustments. In the meantime, to address the structural deficit immediate action is needed to minimize operational cost throughout the district, which must include central office reductions.
Rationale:	Salary and benefit costs account for approximately \$281 million, or over 85% of the district's unrestricted general fund expenses. The majority of this funding goes towards site-based services. Addressing the district's structural deficit requires significant reductions to personnel costs given that this represents the largest area of expense in the budget.

Recommendation 1.3 - Maximize the use of restricted revenue resources

Overall Impact:	The district has underspent restricted resources (e.g., categorical funding. While there are limitations and rules with such funding, the district can identify some allowable uses of such funds to delay or offset cuts to programs and staff currently funded in the unrestricted general fund. The 1st interim includes approximately \$2.7 million in such shifts with the potential for approximately \$1.6 million in additional adjustments. While these adjustments provide immediate budget relief, most are one-time in nature because they rely on prior-year categorical program carryover. An ongoing source of funding, or cut will be needed as a permanent solution.
Action Required:	The district has made a number of adjustments that maximize restricted resources as part of each budget revision. By December 31, 2018, the district should rebuild budgets for central office-managed major categorical

	<p>programs (e.g., Titles I, II, III; Educator Effectiveness grant). This requires reviewing allocations and revenues and making revise available balances. Once such balances are known, potential expenses can be identified that are appropriate to charge to such resources and consistent with the rules for allowable use.</p>
Timeline to Implementation	<p>Review of the major centrally-managed resources should be completed by December 31, 2018 with all adjustments reflected in IFAS no later than January 10, 2018. At least two times per month (every other week), review all restricted budgets to confirm spending patterns are consistent with expectations. When deviations are noted (under and over spending) immediate corrective action should be taken. Underspent funds can be redirected to other allowed expenses, and overspent funds will require adjustment in practices or programs to bring expenses in line with the budget. A monthly report of the status of the restricted shifts and resources should be prepared for review by the Superintendent.</p>
Background:	<p>The district has identified some opportunities maximize federal funds as reflected by the shifts included in the 1st interim. WestEd reviewed carryover balances and 2017-18 grant award amounts for major centrally-managed restricted resources (e.g., Titles I, II, and III) and found significant balances in such programs. Some of the available resources are reflected in the 1st interim. A systematic review and ongoing management will ensure that the district has maximized to the fullest extent possible its restricted resources and realizes planned adjustments.</p>
Rationale:	<p>The district receives approximately \$144 million in restricted resources, of which approximately one-third are from federal sources. While the district has overspent unrestricted resources, it has accrued balances in some major restricted resource accounts. Maximizing restricted resources allows the district to delay or offset potential reductions in high priority areas that are aligned with restricted program rules.</p>

Recommendation 1.4 - Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings

Overall Impact:	Reduction or elimination to non-essential contracts yields 2017-18 savings of approximately \$0.9 million (\$0.4 contracts, \$0.5 books and supplies).
Action Required:	<p>The district has reviewed all existing contracts that it is aware of and should continue to review records to ensure that this information is accurate and complete. Information about contracts and books and supplies are included in the Zero-Based Budget process (ZBB, see Recommendation 2.2). Information from the ZBB should be compared to existing contract lists to identify any exceptions to the list. Immediate action should be taken to resolve exceptions to ensure that they are accurately budgeted for. The contract expenses that are identified for reduction or elimination should be reviewed with Legal to determine steps needed to notify and cancel services. The district unit responsible for oversight of the requested services must receive clear communication regarding the reduction or the stoppage of services to ensure their management and direction for such services is consistent with the budget reduction. For books and supplies, adjustments based on the ZBB findings should be made and reflected in IFAS by December 30, 2018.</p> <p>At least two times per month (every other week), review all contract and books and supply budgets to confirm spending patterns are consistent with expectations. When deviations are noted (under and over spending) immediate corrective action should be taken. A monthly report of the status of the contracts and books and supplies should be prepared for review by the Superintendent.</p>
Timeline to Implementation	Adjustments to contracts and books and supplies should be determined by December 30, 2017 with all changes reflected in the budget by January 15, 2018.
Background:	FCMAT and the post-mortem report identified weaknesses in internal controls as a contributing factor to the district's financial condition. The district has a history of unpaid invoices, which means that there is not an authorizing contract or purchase order in place prior to services being rendered. This has contributed to unbudgeted expenses, which must be managed and non-essential contracts should be reduced or eliminated. With respect to books and supplies, the district has a practice of using this line item as placeholder with the budget for later allocation. Given the noted challenges with internal controls a tighter process for estimating and

	<p>budgeting for planned and known expenses is needed to effectively manage the budget to realize fiscal improvements.</p>
<p>Rational:</p>	<p>While a much smaller portion of the district's expenses that salary and benefits, expenditures related to contracts, books and supplies can be adjusted without the restrictions of collective bargaining agreements and other legal requirements. However, some contracts (e.g., special education transportation) and books and supplies are essential to the ability of the district to operate. Addressing the district's structural deficit requires significant reductions to all areas and this must include contracts, books and supplies.</p>

Recommendation 1.5 - Pursue capture of donated days and/or furlough

Overall Impact:	The district has asked for voluntary furloughs by senior leadership and is in discussions with its collective bargaining units regarding potential voluntary furloughs to avert layoffs. The estimated financial impact is one-time savings of approximately \$0.2 million in 2017-18.
Action Required:	The district needs to provide the Payroll unit with a complete list including identifying information for the staff making voluntary furloughs, effective dates (to and from), number of days or percent time. The Payroll unit should prepare at least monthly a report for the Superintendent, or designee, that reflects total adjustments to support monitoring of anticipated savings from furloughs.
Timeline to Implementation	Adjustments should be reflected in the budget and payroll by December 31, 2017 with monthly reports provided effective January 2018.
Background:	The district's senior leadership have identified this strategy as a means to contribute to the solution set for the structural budget deficit. The donations range from approximately 5-10 unpaid work day, which are scheduled to have minimal operational impact.
Rationale:	This action directly offsets reductions that would otherwise be needed from other areas of the district's budget, including personnel reductions.

Recommendation 1.6 - Adjust school per pupil allocations to capture savings

Overall Impact:	School site leaders identified options to make site level reduction, if such reductions are needed to address the structural budget imbalance.
Action Required:	Meet with Principals to review “ <u>Finance Team Identified Savings/Reduction Options</u> ” and make recommendations from school site perspective. School Leaders recommended site decision making in how to make reductions. District leadership consider information from sites and budget staff to determine the percentage reduction to all sites and a per pupil reduction and found the per pupil reduction was more equitable. Communicate decisions to principals indicating target amounts and recommendations for reductions at school sites. At least two times per month (every other week), review all site budgets to confirm spending patterns are consistent with expectations. When deviations are noted (under and over spending) immediate corrective action should be taken. A monthly report of the status of site budgets should be prepared for review by the Superintendent.
Timeline to Implementation	Notified sites of their target amounts for reductions in November 2018. Finalize estimated reductions by December 31, 2017 and implement all changes by January 15, 2018.
Background:	The district provides significant allocations and discretions to sites to plan and budget for this needs under the results-based budgeting processes. Sites are able to determine levels and types of staffing and other investments, which they reflect in their site-level plans. The level of autonomy provided to sites is a notable feature of the district’s approach to budgeting and represents a significant proportion of the district’s resources.
Rationale:	Over 75% of the district’s budget expenditures are related to school site services or expenditures. A larger proportion of cuts have been made to the central office relative to the amount of the budget that goes towards central office/centralized services and school sites. Given the size of the structural deficit and composition of the district’s budget some reductions to funding to school-level services are inevitable, but can be minimized through careful district management.

Immediate Changes to Monitoring and Forecasting Practices

Staff recognize the need for immediate changes to existing monitoring and forecasting practices to implement cost containment and expenditure reduction plans in the coming months and years. The following four recommendations address changes to monitoring vital elements of the budget that historically contribute to overspending.

Recommendation 1.7 - Institute closer monitoring of contributions to other programs (e.g., special education, nutrition, and early childhood education)

Overall Impact:	Closer monitoring of the programs that significantly contribute to transfers from the unrestricted General Fund are needed to actively manage the expenses associated with such programs with the goal of containing or decreasing the overall negative impact to the ending fund balance.										
Action Required:	For each of the departments - special education, nutrition services, and early childhood education - both program and budget staff identify the specific revenue generation and cost drivers for each program (e.g, meals served eligible for reimbursement). Create a method to track, report, and review these revenue generation and/or cost drivers on a monthly basis along with other standard budgeting reporting to ensure there is appropriate cost containment. Establish a protocol to flag changes in trends among those key metrics that may impact the projected budget and spending for the program. When deviations are noted (under and over spending) immediate corrective action should be taken. A monthly report of the status of identified budgets should be prepared for review by the Superintendent.										
Timeline to Implementation	Currently there is some monitoring of these program, but they are uneven in their implementation. Projected April 2018 for full implementation of this recommendation.										
Background:	<p>Challenges containing costs for restricted programs have been identified by multiple sources, including district-level analysis. For example, growth in special education contributions between 2013-14 unaudited actuals and the 2017-18 1st interim:</p> <table border="1"> <thead> <tr> <th>Fiscal Year</th><th>Special Education Contribution</th></tr> </thead> <tbody> <tr> <td>2013-14</td><td>\$41,200,568</td></tr> <tr> <td>2014-15</td><td>\$45,349,755</td></tr> <tr> <td>2015-16</td><td>\$51,534,414</td></tr> <tr> <td>2016-17</td><td>\$56,292,846</td></tr> </tbody> </table>	Fiscal Year	Special Education Contribution	2013-14	\$41,200,568	2014-15	\$45,349,755	2015-16	\$51,534,414	2016-17	\$56,292,846
Fiscal Year	Special Education Contribution										
2013-14	\$41,200,568										
2014-15	\$45,349,755										
2015-16	\$51,534,414										
2016-17	\$56,292,846										

	<table border="1"> <tr> <td>2017-18 (1st interim)</td><td>\$58,042,799</td></tr> </table>	2017-18 (1st interim)	\$58,042,799
2017-18 (1st interim)	\$58,042,799		
Rationale:	In total, unrestricted General Fund transfers out/contributions total nearly \$72 million each year to a variety of programs, most significantly special education. Effective practice suggests that when program and fiscal staff work together to identify the major contributors to potential cost increases, that the program can better plan to mitigate those expenses in the future.		

Recommendation 1.8 - Update and implement budget forecast and projection practices

Overall Impact:	Ensuring effective budget forecast and projection practices is crucial to make sound decisions that ensure good financial health and eliminate the structural budget imbalance.
Action Required:	<p>To ensure accurate and realistic forecasting practices, staff should consider at the line items and total level: (1) trend analysis and historical patterns, and (2) new, updated information that would influence the anticipated expenditure for that line item(e.g., vacancy savings, certificated long-term subs).</p> <p>Further, these analyses for the budget should include feedback loops by peers or other finance staff that includes reviewing assumptions to gain consensus and incorporate other perspective prior to making final adjustments to the budget for reporting periods.</p>
Timeline to Implementation	Such analysis should be completed as part of the preparation for the 2nd interim and continue in subsequent budget revision and development cycles.
Background:	Both the FCMAT Fiscal Health Risk Analysis and the 2016-17 Budget Crisis Post-Mortem Report call out budget forecast and projection practices as a contributing factor to the district's current, weak financial position.
Rationale:	Analysis of the district's line item and the variances between multiple reporting periods (months or years) displays substantial fluctuations that suggest the accuracy of forecasts are not robust. Examples of this are included in the Board of Education's Resolution No. 1718-0087, Attachment 1: Recent Fluctuations and Expenditure Increases.

Recommendation 1.9 - Review and update cash flow monitoring practices

Overall Impact:	Cash flow is a vital element of any organization's operation as it allows the district to make routine payments necessary for regular business operations, such as payroll or vendor invoices. The district has routinely employed short-term borrowing from the Alameda County Treasurer, which adds interest and transactional costs and						
Action Required:	<p>To improve cash flow the District needs to reduce or eliminate the General Fund structural budget deficit and, stabilize/rebuild the reserve for economic uncertainty.</p> <p>To ensure accurate cash flow projections staff needs to maintain accurate cash flows for all funds and continue to closely monitor and manage cash flow for all programs and funds on a monthly basis.</p> <p>Staff need to ensure that all accounts – revenues, expenditures, assets, and liabilities – are reconciled monthly. Accounts receivable and payable balances should have cleared early in the fiscal year.</p>						
Timeline to Implementation	Some current, effective practices are in place. Full implementation by March 2018.						
Background:	Various reports and reviews - including the FCMAT Fiscal Health Risk Analysis and letter from the ACOE - indicate concern with the status of the school district's cash flow statements. This issue was also raised in the post-mortem report and associated with the structural imbalance in the school district's budget.						
Rationale:	<p>There are primarily two reasons for this recommendation. First, districts in California have significantly reduced their need to use tax revenue anticipation notes or take short-term, temporary loans from outside sources to support their cash flow - particularly, after the dramatic increases in funding through the LCFF and the elimination principal apportionment deferrals. Second, the trend in year-end cash balances in June of each year for the school district is worrisome. See below for a trend of these cash balances.</p> <table><tr><th>Fiscal Year</th><th>Cash Balance</th></tr><tr><td>2014-15</td><td>\$13,586,222</td></tr><tr><td>2015-16</td><td>\$39,882,889</td></tr></table>	Fiscal Year	Cash Balance	2014-15	\$13,586,222	2015-16	\$39,882,889
Fiscal Year	Cash Balance						
2014-15	\$13,586,222						
2015-16	\$39,882,889						

		2016-17	\$23,800,972
		2017-18 (projection as of 1st interim)	\$7,513,544

Recommendation 1.10 - Institute immediate protocols to limit and review spending among Central Office and school sites

Overall Impact:	Unanticipated/unbudgeted expenses have created significant challenges to the district's budget, as evidenced by the rapid decline in the ending funding balance. For the district to stabilize the budget, it must create protocols to realize expected reductions and introduce discipline in the planning, use, and management of resources.
Action Required:	<p>To realize the savings desired from the temporary and immediate protocols that Central Office and schools are bound by, there necessarily has to be a monitoring system to ensure that savings are captured. The following, at a minimum, steps are suggested:</p> <ul style="list-style-type: none">• Identify those expenditure line items, e.g., travel, food, etc. that the school district wishes to limit;• Clearly communicate and over communicate the message about the restrictions being placed on the purchase of certain items including date ranges for the protocol, pathway for answering questions; and• Monitor and follow-up via monthly Central Office and school site budget monitoring (ensure that the financial services team have had a chance to listen the next meeting. <p>School district staff have recently published a memo that hits on two items - decisions on what will be limited in spending and communicating with others. A link to the most recently published memo can be found in Appendix A.</p>
Timeline to Implementation	Immediate (1-2 weeks) with full implementation of protocol within 3 months.
Background:	Several of these immediate spending protocols mimic some of the other, systemic internal control procedures that will be vital to instituting these practices across the organization. The matter of building tighter and more effective internal controls has been mentioned by the FCMAT Fiscal Health Risk Analysis, the 2016-17 Budget Crisis Post-Mortem report and the letter to OUSD from the county office of education.
Rationale:	Some of the non-labor items over the last several years have continued to spend more than their budgeted item. Therefore , these immediate protocols help to potentially curtail trends.

Chapter 2. Recovery

The recommendations in this chapter cover actions for the school district to implement in the short- to medium-term, three to twelve months, that will allow the district to recover from its current financial situation and position itself to make decisions to ensure fiscal vitality in the future.

Budget Development

The budget development process for a district is the beginning of a two-year process in which the organization establishes for itself how it will invest resources to achieve its stated goals. Perhaps more importantly, a budget for a public entity represents how taxpayers' investments are used to advance the social good of the community. In the context of the school district it is the investment in the educational and success of future generations of the Oakland community. The following recommendations offer a pathway to re-establish a strong and formidable foundation budget built on evidence-based and reasonable assumptions of what will likely to transpire in the subsequent fiscal year.

Recommendation 2.1 - Plan for and adopt a balanced budget that avoids future deficit spending

Overall Impact:	Setting up, checking, and making transparent the major assumptions that drive the revenue and expenditure in the budget are the most critical element to ensuring a balanced budget and avoids deficit spending.
Action Required:	<p>There are several key actions required for this recommendation:</p> <ol style="list-style-type: none">1. Clearly identify vital assumptions for projecting the anticipated impacts to revenue and expenditures in the subsequent school year (e.g., anticipated COLA increases, changes in federal revenue allocations, increases in STRS/PERS employer contributions).2. Conduct analysis to understand what aspects of the current year budget need to be appropriately adjusted in the forthcoming year to correct for over-spending or adjustments in major program design and strategy deployment.3. Identify, prioritize and fund those strategies and actions that will be able to be executed in the subsequent school year against available revenues to prevent the over-allocation of funding.4. Unique to OUSD, develop subsequent materials - handbooks and one-pagers - that schools and Central Office departments can use to guide their allocation decisions for the subsequent school year during the lock-in sessions, ensuring that there is not an over-

	<p>allocation of funds.</p> <p>5. Following the allocation of funds, the district should develop a system by which Central Office departments or schools are able to raise items that may have been missed during the lock-in sessions.</p> <p>And</p> <p>It is important to note that the preparation for the 2018-19 fiscal year will vary as a result of OUSD implementing a zero-based budgeting (ZBB) process for this year.</p>
Timeline to Implementation:	Implementation of these action steps will be completed by June 2018 for the 2018-19 budget cycle.
Background/Rationale:	<p>Several of the recent reviews of the school district's finance and business operations, including the FCMAT Fiscal Health Risk Analysis and the post-mortem report, revealed that the development and management of the assumptions that build the adoption budget are not sufficient to be able to ensure that there is common and agreement about those assumptions that other staff are able to follow and justify.</p> <p>The importance of establish agreed upon, core assumptions for the adoption of a budget is paramount because it is in large part what other central office departments and schools will build their own assumptions from, e.g., number of staff, available amount of money for non-labor expenses, etc.</p>

Recommendation 2.2. - Establish and conduct zero-based budgeting sessions with all Central Office departments and schools

Overall Impact:	Ensure that there is a balanced budget for 2018-19 centered on the assets and strengths of each department. Zero-based budgeting will provide the district with the opportunity to evaluate every department and school to ensure each is receiving an accurate level of funding, determine actual expenditure needs, reduce wasteful spending, and coordinate communication across and between departments.
Action Required:	<p>To begin the 2018-19 budget development process, the district will review and rebuild all central office department and site budgets through a process called zero-based budgeting. This process requires identifying and justifying all expenses for inclusion in the budget. Zero-based budgeting starts from a "zero base," and every function within an organization is analyzed for its needs and costs.</p> <p>All departments and sites will meet with a team that includes a WestEd facilitator and staff from Budget and Human Resources for one-hour from December 11-19. Each department will come to the meeting with a completed zero-based budget worksheet and a team prepared to discuss the expenses requested for 2017-18 and 2018-19. Based on the information that is shared, WestEd will work to develop a preliminary budget that is discussed further with each department and site leader as part of the mid-year reduction and 2018-19 budget development process.</p> <p>Furthermore, consider updating site allocation formulas to support greater accuracy and efficiency in the budget process. This would include providing staffing allocations that build in actual staffing needs (e.g., round up, incorporate buffer into allocation ratio that's better aligned to actual ratio), which would eliminate or reduce cycles for appeals and the staff time associated with planning and processing such changes.</p>
Timeline to Implementation	Immediate (1-2 weeks) with full implementation of protocol within 3 months.

Background:	<p>In previous years, the district rolled prior-year budgets and used average salaries to create the budget. While rolling prior-year budgets and adjusting for appropriate increases in expenditures is common practice, the district has not taken time to evaluate how the budgeted expenditures impact the priorities of the district. In addition, departments and school sites have not exercised a review process to determine if all projected expenditures are reflected in the budget in an effort to avoid unfunded priorities.</p>
Rationale:	<p>The current financial challenges of the district strongly suggest that the organization evaluate and review every opportunity to bring expenditures in line with available revenues. Every year the District has an unfunded list that was not accounted for in the budget and we need to create a strong foundation. This process allows the organization to more clearly understand where those opportunities may be and ensure an accurate budget.</p> <p>During 17-18, the organization is going through a reorganization within the Central Office and the information gathered during these sessions will be one of several data sources used to arrive at the final decisions.</p> <p>In anticipation of forthcoming activities for the budget development process, information from these sessions will be the starting point to help inform department leads, Financial Services staff, and Human Resources staff about the possible and potential needs of the organization. These sessions will also provide a foundation for the lock-in sessions planned in February of next calendar year.</p>

Recommendation 2.3 - Research, engage, and implement a Central Office reorganization

Overall Impact:	Reduce the number of senior-level staff at the central office to align with the number of students enrolled in the district. Reorganization of central office positions will increase accountability and ownership of responsibilities while decreasing duplicative roles and functions and minimizing costs for central office support.
Action Required:	Identify impact of roles and responsibilities of central office leadership to foster an efficient and effective leadership structure. Clarify central office services, maximize efficiency, and develop focus for the district to achieve its core mission to meet the needs of students. Develop a revised organizational chart that reflects clear reporting relationships and functional responsibilities.
Timeline to Implementation	The initial phase involves review and planning to establish structure and staffing levels for 2018-19. This will be completed as part of the zero-based budget process and will result in a recommendation to the Superintendent. After initial planning, measures must be taken to notice staff of any position changes or reductions, which should take place by March 15, 2018. The focus from March 2018 to June 2019 is on implementation and effective transition to the new staffing levels and structures.
Background:	Oakland is a community with a strong heritage, a vibrant and supportive parent and community population, and a vision for future achievement. While this devotion is remarkable, in order to sustain a fiscally solvent district, it is imperative to have an administration that is comparable to support the needs of district.
Rationale:	Public school comparison data reveals that Oakland Unified School District has the relatively high ratio of public school central office staff per student (1:233). Additional comparison data indicates a high number of deputy chief, executive director, and director level positions. Attaining and sustaining fiscal solvency requires process improvement, clear delineation of roles and responsibilities, and right-sizing the central office.

Internal Controls

Among the most important of practices for any organization to maintain fiscal health is the presence of its internal controls. Internal controls are a system of practices, procedures, and policies intended to safeguard the assets of the organization from fraud or error and to ensure accurate record-keeping. Management techniques and tools for ensuring that financial policies and procedures are being adhered to according to previously established standards is vital. The four recommendations that follow capture major improvements to the school district's monitoring and control systems.

Recommendation 2.4 - Institute and conduct monthly central office and school site budget monitoring practices

Overall Impact:	Prioritizing monthly budget reviews with leaders will allow for the district to identify in advance budgetary cautions that can be addressed on a regularly scheduled basis rather than waiting until a formal reporting period such as interim reports to address and resolve challenges.
Action Required:	Standardize a financial report format for key budget information to be used to report out and flag concerns such as high, uncommitted balances in particular areas or low balances where we typically have high levels of expenditure. Establish a budget exception framework in which collectively staff will identify acceptable variances by line item for the schools and Central Office departments' budget that are being reviewed. Engage Central Office and school leaders in training to understand the budget exception framework and frequency of meetings, likely monthly. Determine the district forum in which these reports and concerns will be reviewed. Some examples could include either a monthly memo, postings on the fiscal transparency web page, or presentation in various leadership meetings.
Timeline to Implementation:	Initial piloting and refinement to February 2018. Then, formal rollout in March 2018.
Background/Rationale:	The FCMAT review, post-mortem report, and WestEd findings identified significant weaknesses in central office internal controls. This has led to delays in fully understanding risk area and taking corrective action.

Recommendation 2.5 - Review, update and implement effective position control practices

Overall Impact:	Position control is a critical function to ensure that staffing levels are consistent with planned needs and that all positions in place are adequately included in the budget. This is especially important as the district is adjusting staffing to address its structural budget deficit.
Action Required:	<p>The district needs to regularly reconcile payroll, budget and position control reports to identify misaligned information. A list of all misaligned positions is needed and should be validated to ensure they are both Board approved and included in the budget. Any deviations should be addressed through corrective actions that lead to a budget identified for all valid positions.</p> <p>A similar routine analysis should be conducted to validate position vacancy list including consideration of the need for the vacant position (e.g., do vacancies support health, safety, or critical needs) and if the vacancy is to be retained, eliminated, or delayed.</p> <p>Finally, the district should also review and update policies and practices for position control to ensure that they meet the standards for best practice. Confirm that current practices include (1) clear delineation of duties between the workflows of human resources, budget, and payroll functions, (2) include the signatory authorization workflow to confirm that it reflects that all positions must be verified as budgetary funded prior to being submitted for Board approval, (3) the position control system is updated regularly to reflect the actions taken by the Board to add/change or eliminate positions, (4) the position control database includes positions for supplemental positions such as stipends and coaching, (5) training is provided to staff (Central Office and Sites) on the updated policies and practices, and (6) there is a separation of duties between business and personnel department.</p>
Timeline to Implementation	<p>December 2017-February 2018</p> <ul style="list-style-type: none"> ● Phase 1- Review and update current policies and practices December 2017-February 2018 ● Phase 2- Train all staff March 2018-August 2018
Background:	The August 2017 Fiscal Health Review completed by the FCMAT rated the District as not having an effective and reliable position control system in place. Furthermore, the ACOE review of the notes a structural deficit that needs to be immediately addressed to ensure both fiscal and educational solvency.

Rationale:	<p>Most of the District's unrestricted general fund expenditures are for personnel. This is a combination of the cost of salaries, benefits, and payroll related costs for the district's employees. A position control system is the method by which a school district can integrate information from budget, human resources, and payroll to appropriately manage this significant portion of the budget.</p> <p>Position control is a key connection between human resources, budget, and payroll and, a properly functioning position control system has internal control checks and balances between personnel decision-making and budget appropriations that align staffing with budget and payroll systems.</p> <p>Reducing and/or eliminating vacant positions in the 2017-18 budget will generate budget savings for the current and future fiscal years. Additionally, reducing vacant positions could positively impact (lessen the number of people affected) if a reduction in force is needed.</p> <p>The district's current position control system and applicant tracking systems are not integrated with the budget development system or the payroll system. The district will be transitioning to a new fiscal data management system, Escape Technologies in June 2018 that should provide the opportunity for full integration of applicant tracking, position management, budget development and payroll. The district needs to update its current policies and practices to reflect a robust level of integration and cooperation between departments to optimize the capacity of the new fiscal reporting system to support strong fiscal management.</p>
-------------------	---

Recommendation 2.6 - Develop a process for pre-approval for extra time employee payments

Overall Impact:	Eliminate budget overruns due to the lack of monitoring/approval of approval of extra time employee's payments.
Action Required:	Create a work group to discuss developing a process to support an efficient and effective process to pre-approve payments and monitor budgets for employee extra time. Train all staff (Central Office and Sites) on the updated policies and practices.
Timeline to Implementation	March 2018 to June 2018
Background:	FCMAT and ACOE have noted the lack of internal controls, including position control and payments to personnel as an issue contributing to the district's fiscal challenges.
Rationale:	Eliminating budget overruns will support generating budget savings for the current and future fiscal years.

Recommendation 2.7 - Review and implement revised contract approval, processing and management procedures

Overall Impact:	Contracting services provide supplemental support to district employees. The process for reviewing, approving, and managing contracts is critical to the management and control of the budget. Clear criteria for appropriate contracted services, efficient processes to issue contract and manage contractors is critical to ensure this area of expenditures is strategic and supportive of district priorities.
Action Required:	<p>There are several key actions that the district should institute in the short- and long-term for the contract approval, processing and management process. These include:</p> <ol style="list-style-type: none">1. Implement a short-term process to limit or cancel spending on services contracts that are not a necessity and critical to the current top priorities of the organization or serve a primary function. See Appendix A for the school district's latest communication to staff.2. Conduct a full review of the existing contract process and document the current process map to understand roles, responsibilities and opportunities for improvement.3. Revise and update procedures to ensure that critical, internal controls are in place, e.g., work by a contractor does not begin before the contract is either signed (and a purchase order is issued) or the contract is approved by the Board of Education (and a purchase order is issued).4. Identify and publish those staff members responsible for important steps in the process, e.g., legal review of contract, verification of available funds, invoice processing5. Create a process to surface, discuss and resolve exceptions to the process, e.g., contractor submits an invoice without a contract.
Timeline to Implementation	The first step in the process is currently in implementation. The subsequent steps can be reviewed by March 2018 with full implementation by May 2018.
Background/ Rationale:	Several of the reports have pointed to the necessity to review and better manage the contracting process specifically. This is further corroborated by the existence of circumstances that indicate procedures are not being followed (e.g., large amounts of unpaid invoices from contractors that do not have an associated budget).

Financial and Human Resource Information System

The school district has long been a user of the IFAS finance and HR information system. With the advent of Escape for the organization it will bring with it a series of more efficient and effective practices. The recommendation below provides an overview of that shift in technology systems.

Recommendation 2.8 - Complete transition to Escape technology system to manage finance and human resource (HR) information

Overall Impact:	The transition to ESCAPE supports the district's goal toward fiscal vitality and is a critical step towards achieving more streamlined business practices and developing better system controls. In addition, these coordinated efforts will also enable us to have accountability as we work to achieve fiscal vitality and keep students at the center.
Action Required:	<p>A team from Escape and other vendors, are currently supporting the implementation process as well as developing training and support for successful integration into the District's business operations.</p> <p>Administrators and support staff are strongly encouraged to participate in trainings for the ESCAPE system in effort to improve on fiscal efficiencies and operations.</p> <p>The District is asked to fully support staff in the teaching and learning of the transition from IFAS to ESCAPE.</p>
Timeline to Implementation:	<p>ESCAPE is on track to go live July 2018.</p> <p>Trainings will be held for CORE users, POWER users and all END users during the spring and early fall of 2018</p>
Background:	October 26, 2016, the OUSD Board of Education approved replacement of our current financial management system (IFAS) with Escape. The decision was made after years of dealing with growing challenges experienced with IFAS functionality and its ability to keep up with demands of various reporting requirements. IFAS (the current financial system) has reached its peak in serving in such a high capacity.

Rationale:	<p>With the need to drastically improve systems that impact our fiscal health in areas of better management, monitoring and reporting, the District is excited about the transition to ESCAPE.</p> <p>Escape, which is supported and hosted by ACOE, will be integrated across the District and become our central source for financial, payroll and human resource operations. This new system was designed specifically for California K-12 education and can handle every aspect of our accounting, budgeting, and procurement needs electronically.</p>
-------------------	---

Revenue Maximization

While the focus on cost containment is critical to live within any organization's means there is also the opportunity to identify ways in which to maximize revenue. The recommendation noted below aims to review and identify opportunities to shift expenditures to legal uses of restricted funds.

Recommendation 2.9 - Review and execute on shifts in expenses that maximize the use of restricted funds

Overall Impact:	In 2017-18 at 1st interim the district identified approximately \$2.7 million in shifts that leverage federal fund with a target to identify approximately \$1.6 million in additional adjustments. While a significant portion of these shifts are one-time in nature, a full review of the categorical resources, including all program and site allocations, will support stronger alignment of the use of such funds to meet district priorities and may yield options to fund priorities of the district.
Action Required:	Actions that are required to implement this recommendation include: <ol style="list-style-type: none">1. Review all current allocation methods (to sites and departments) to identify how to best align allocations to district and site priorities.2. Review projected balances to identify potential for redirection of funds to other used consistent with program rules and district priorities.3. Develop allocation scenarios that reflect alignment of funding to needs and review scenarios with site and department leaders for input.4. Select allocation methods that will be used for site and department budget development and prepare allocations for 2018-19 budget.
Timeline to Implementation:	Complete review of current allocation methods and scenarios by January 31, 2018 with aim to finalize allocation method and preliminary amounts for 2018-19 by March 2018. Incorporate into the budget development calendar annual review of balances, allocations, and funding use to ensure maximization of restricted resources
Background:	The district has identified some opportunities maximize federal funds as reflected by the shifts included in the 1st Interim. WestEd reviewed carryover balances and 2017-18 grant award amounts for major centrally-managed restricted resources (e.g., Titles I, II, and III) and found significant balances in such programs. Some of the available resources are reflected in the 1st Interim. A process for ongoing systematic review and management will ensure that the district has maximized to the fullest extent possible its restricted resources to meet district identified priorities and needs.

Rationale:

The district receives approximately \$144 million in restricted resources, of which approximately one-third are from federal sources. Maximizing restricted resources allows the district to ensure all district resources are used to address high priority areas with alignment to restricted program rules.

Chapter 3. Vitality

The recommendations in this chapter cover actions for the school district to implement in the medium- to long-term, six to eighteen months, that will allow the district to reach fiscal vitality and ensure that its financial practices support the organization's mission while maintain its fiscal health.

Budget Manager Roles and Responsibilities

Important in determining roles and responsibilities for budget managers is ensuring that there is clarity and communication about who is taking on what action or task relative to their responsibility. The school district continues to retain its Results-Based Budgeting (RBB) policy for its schools (see Appendix B) and continues to require an important and vital feature of understanding the delineation of responsibilities among school leaders and the budget department. The following recommendations help to address more clearly how to arrive at those roles.

Recommendation 3.1 - Role, responsibility of school district and school leaders with budget oversight

Overall Impact:	Vital in the role of building and maintaining a balanced budget is clarity about the roles and responsibilities of staff involved in those processes. Notably, this is not simply the staff in the budget department - all individuals are responsible for the management and oversight of the budget to some degree.
Action Required:	OUSD should launch a process to review, revise and update its procedures specific to the roles and responsibilities of school district and school leaders related to budget oversight. See below in the timeline for additional information.
Timeline to Implementation	There are several proposed deliverables under this recommendation including: <ul style="list-style-type: none">● February 2018: clarity on roles and functions for key financial and leadership staff in the budgeting and oversight process● Spring 2018: launch process to gather feedback from Central Office and school sites about their roles and responsibilities in the budgeting and oversight process● Fall 2018: propose a series of recommendations to update and reflect the budgeting and oversight process relative to current staff

Background/ Rationale:	The FCMAT Fiscal Health Risk Analysis report specifically identifies the current challenge around budget oversight and decision-making citing specifically the varying degree of understanding and authority for budgeting decisions which is contributing to a breakdown in some of the existing internal controls that are in place with healthy educational organizations.
-----------------------------------	---

Other, Long-term Actions Towards Vitality

The management and oversight of the budget is critical function for any organization. And, there are also circumstance in which school districts need to attend to other factors that significantly influence the financial commitments of the organization. Notably among these for an educational agency are the personnel that they employ and the configuration of how educational services are deployed, i.e., assumptions on the size and number of schools, classrooms, etc. The two subsequent recommendations address each of these factors directly.

Recommendation 3.2 - Management and oversight of bargaining agreements

Overall Impact:	The districts level of commitments and spending on salary and benefits are defined by its collective bargaining agreements and contracts with employees. Furthermore, the collective bargaining agreements include provisions that affect levels or types of staff.
Action Required:	Commitments made through bargaining agreements need to include a full consideration of known and estimated multi-year effects, with procedures in place to make adjustments as they are known. As part of the regular budget adoption and revisions the district needs to clearly define and document assumptions for the budget year plus two upcoming budget years for: <ul style="list-style-type: none">- Annual step and column- Health and welfare benefits- PERS and STRS contributions- Other benefits- Contracted staffing ratios (e.g, teachers, STIP subs, counselors, nurses)- Types and numbers of positions- Cost of living and other salary adjustments
Timeline to Implementation:	Ongoing
Background/Rationale:	The district's 2017-18 1st Interim included adjustments for collective bargaining-related adjustments, which were not explicitly included in the budget. The FCMAT Report provided recommendations that the district needs to ensure that bargaining beyond COAL must be supported by available fund balance. Given the financial condition of the district, it must work to build up fund balances while also carefully managing and monitoring bargaining agreement commitments.

**Recommendation 3.3 - Conduct and deliver study and recommendations from the
'Blueprint for Quality Schools'**

Overall Impact:	The Blueprint for Quality Schools is a plan with long lasting impact to meet the changing facility, program and educational needs of the district.
Action Required:	The Blueprint for Quality Schools is currently in process and staff is working towards the timeline identified below. The critical action from this recommendation is for the Board of Education to act on the report provided in the winter of 2018.
Timeline to Implementation	<p>There are several key timelines to complete implementation of the Blueprint for Quality Schools, including several that have already passed.</p> <ul style="list-style-type: none">• May 25, 2017: Blueprint for Quality Schools process is launched• Summer 2017: Retreats to investigate current facts about OUSD, structure the feedback from the community, and pathway to report to the Board of Education.• Fall 2017: Conduct various regional and general stakeholder engagement session• January 17, 2018: Engage opportunities are concluded• Winter 2018: Report delivered to the Board of Education on the summary of findings and recommendations for next steps.
Background/ Rationale:	This plan will contain a needs assessment for every school in the district, as well as recommendations on school and central office reconfiguration and rehabilitation to provide equity, quality and opportunity for ALL OUSD students. Families, community members, and an experienced team of professionals will work together to develop the plan for creating better spaces and programs for our children to thrive. For more information about this strand of work, please see: https://www.ousd.org/Page/3815

Appendix

Appendix A. Budget Mgmt Update: Need for Fiscal Vitality and Stability

TITLE: Budget Management Practices Needed for Fiscal Vitality and Stability

FROM: Kyla Johnson-Trammell, Superintendent

TO: Central Office Administrators and School Site Administrators

DATE: December 8, 2017

PURPOSE: Ensure central office leaders & school site administrators have the most current information on the implementation of implementing Ongoing Budget Management Practices.

BACKGROUND: As previously shared, during the 2016-17 Closing of the Books in September, the fund balance was depleted, causing us to begin 2017-18 with only the minimum 2% reserve. Our first Budget Revision adjustment projected a further reduction of fund balance to \$1.2 million below the 2% requirement.

Therefore, the Board of Education has an initial recommendation to increase the mid-year budget reduction to \$15.1 million to include an initial contribution to restore the self-insurance fund. All reductions will be voted on at the December 13 Board Meeting.

In addition to mid-year adjustments, much work remains to regain the District's long term financial health. The Board received a detailed financial health assessment from the Fiscal Crisis & Management Assistance Team (FCMAT). The Board accepted the report and expects a full plan to address the risk factors listed in the report, which include adhering to board policies, implementing new practices for deterring overspending and increasing budget monitoring. The Fiscal Vitality Implementation Plan (FCMAT Plan) will be presented to the board on December 13. We will begin some of the budget management practices highlighted in the plan immediately. Those practices are outlined below.

CURRENT STATUS:

Ongoing Budget Management Practices

We will need to take multiple measures to ensure a balanced budget this year. To start, all central departments and school sites are required to establish a culture of savings by implementing the cost savings and budget management practices detailed below.

I. Spending Restraints

We need to make a collaborative effort now to curb our spending. The spending restraints listed below apply to all funding sources including grants; excluding travel and positions required by the grant.

- A. No spending on Food and Refreshments for meetings. (Rare exceptions should be approved by your department/division lead or network superintendent and then reported to the superintendent on the Spending Restriction Exception Tracker.)
- B. No spending on out-of-state travel. (Rare exceptions should be approved by your department/division lead or network superintendent and then reported to the superintendent on the Spending Restriction Exception Tracker.)
- C. Limit spending on supplies.
- D. Hiring Freeze (see hiring freeze memo and appeal form for more details).

II. Contracts

All administrators should work to **limit or cancel spending** on service contracts which must be in line with our Board Policy 3312. This includes that contracts over \$88,300 (in aggregate for the District for the year) typically should be competitively bid and that no work may begin on those contract prior to Board approval. Please submit any outstanding contracts as soon as possible for approval by staff or board or contract risks no payment or late payment. Central and Site Leaders should contact the Legal Office (879-8535) for assistance if needed.

III. Tighter Purchasing Procedures - (See Board Policy 3310 and New Procedures for Purchasing and Accounts Payable Memo, and Notices to sites on Vendor Goods & Services Purchases for reference.)

- A. Purchase Orders required for all transactions (prior to the completion of the transactions); purchase orders are also required for all reimbursements for required travel, conferences, professional development, supplies, and mileage.
- B. Blanket Purchase Orders only allowed for district-wide books, instructional materials and meal program food and supplies.
- C. Details of the purchases / reimbursements must be itemized with a detailed description for all goods and services, including sales taxes and shipping costs, if applicable.
- D. Requisitions or Purchase Orders must be coded correctly for the type of purchase.
- E. Each item valued at \$500 or more must be shipped to the Central Warehouse for inventory purposes (asset tagging).

-
- F. OUSD is not responsible for and will not make payment on any contract for any services or goods provided by a vendor to any OUSD site, department or person, unless the contract in question has first been signed by one or more of those persons to whom OUSD has formally delegated contract signature authority as provided in OUSD BP 3312. OUSD will not make any payment to any vendor for the order/purchase of goods where there is not first an OUSD-issued purchase order. Any accounts in Goods and Services with negative balances need to be covered before winter break.

IV. Overtime/Extra Time

There are site-specific expenditures that do NOT have sufficient budgets in place in the areas of positive pay such as Extra Time, Overtime, Extended Contracts, Sub costs and so forth . All Central and School site leads must complete online budget transfers to cover the overages for unrestricted (NON-BASE) and for restricted by site before winter break. ([see details here](#))

Appendix B. Results-Based Budgeting (BP 3150 - Business and Non-instructional Operations)

The Board Policy on Results-Based Budgeting provides policy direction to the Superintendent regarding the Oakland Unified School District's continuous budget development process. The Board Policy on Results-Based Budgeting is directly aligned to and builds upon Board of Education policies on School Governance and Quality School Development.

The Board of Education hereby establishes the following principles to guide the Oakland Unified School District's annual budgeting process:

1. The allocation and expenditure of OUSD financial resources shall be aligned to the achievement of continuous improvement in school quality and student outcomes.
2. The allocation of OUSD financial resources to schools shall be maximized.
3. The distribution of OUSD financial resources to schools shall account for varying student needs and neighborhood conditions.
4. School governance teams shall be empowered to budget and expend OUSD financial resources.
5. The general public shall have timely access to accurate, comprehensive, and easily comprehensible OUSD financial management information at the school, department, and district-wide levels.

Within the context of established OUSD strategic priorities, state and federal regulations, and collective bargaining agreements, the Board of Education hereby establishes its intent to:

1. Adopt three-year district-wide School Quality Improvement goals, benchmarks, and priorities (i.e. Balanced Scorecard, Local Control Accountability Plan) toward which every school and every central administration department is responsible for achieving steady measurable progress.
2. Hold every school responsible and accountable, through the OUSD Community School Strategic Site Plan process, for budgeting and expending its financial resources in a manner that enables each school to realize steady measurable progress toward achieving Board-adopted School Quality Improvement goals and growth targets.
3. Hold every central administration department responsible and accountable, through the OUSD Community School Strategic Site Plan process, for budgeting and expending its financial resources in a manner that demonstrates how each department is achieving steady measurable progress toward providing the supports each school needs to achieve their School Quality Improvement goals and growth targets.
4. Maximize the allocation of all Unrestricted General Fund revenue (i.e. Local Control Funding Formula - Base, Supplemental, Concentration, and local tax revenue) to schools by:

-
- a. First, paying all legally required district-wide obligations (e.g. State Emergency Loan, charter school pass-through payments, audit findings).
 - b. Second, allocating up to 12% of all Unrestricted General Fund revenue to support district-wide central administrative services (e.g. finance, human resources, performance management, instructional services, legal services, district leadership).
 - c. Third, paying the following services to schools:
 - i. Special Education
 - ii. Custodial and Buildings & Grounds
 - iii. School Police & School Security Officers
 - iv. School Nurse
 - v. School Counselors
 - vi. Specified Enrichment Resources (i.e. summer school, music, art)
 - d. Allocate to schools all remaining Unrestricted General Fund revenue based on the projected student enrollment of each school, including allocating a differential amount of revenue to schools based on the number of students enrolled at each school who:
 - i. Are in elementary schools, middle schools, and high schools
 - ii. Qualify for the Federal Free & Reduced Price Meals Program
 - iii. Are English Learners
 - iv. Are in Foster Care
 - v. Reside in high-stress neighborhoods

: i am OUSD  **..**

2018-2020 Fiscal Vitality Implementation Plan Update

March 14, 2018



Presented by: Troy Christmas, Fiscal Services Director
To: OUSD Board of Education

www.ousd.org



@OUSDnews

Outcomes

Update on Fiscal Vitality Plan

- ❖ Outline of Required Steps
- ❖ Report on Progress to Date
- ❖ Review of Next Steps
- ❖ Request support from the Board

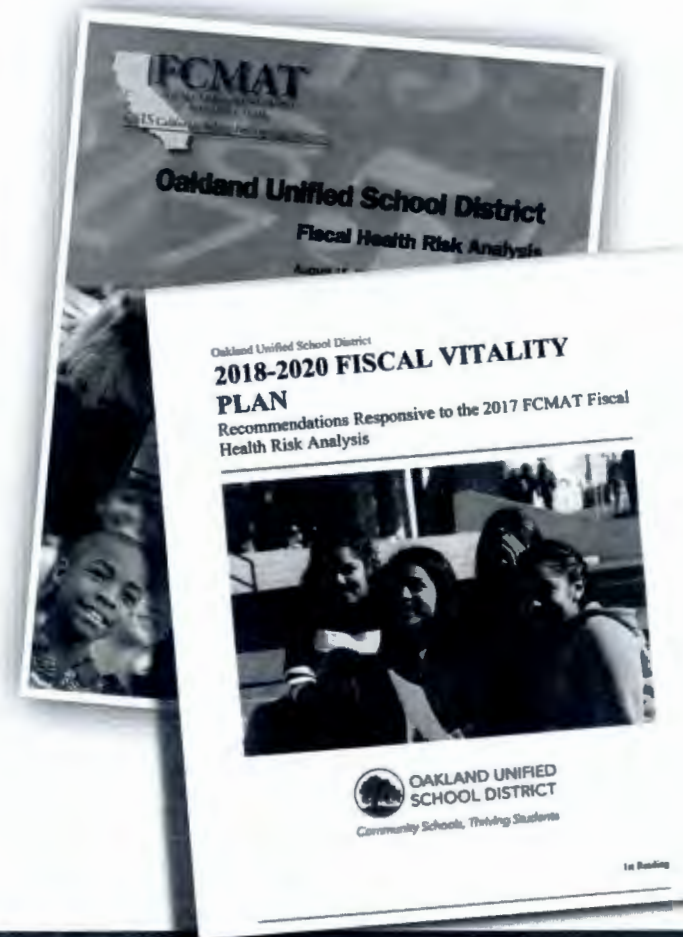




**OAKLAND UNIFIED
SCHOOL DISTRICT**
Community Schools, Thriving Students

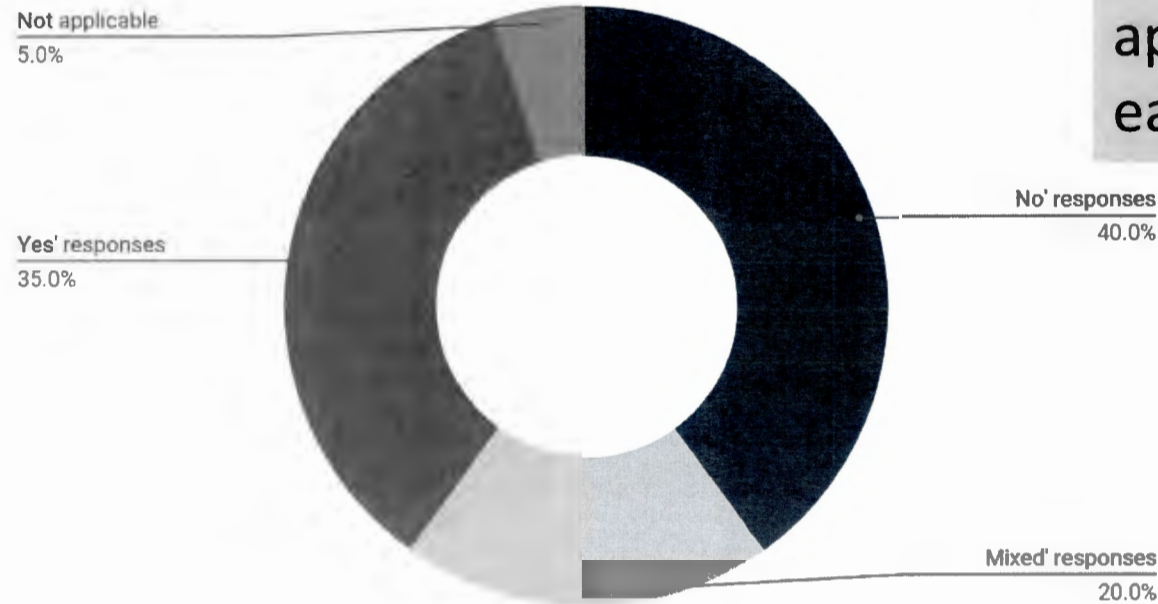
History and Current Context

- ❖ 2017 FCMAT Fiscal Health Risk Analysis
- ❖ OUSD 2016-17 Fiscal Report (AB139) from ACOE
- ❖ Post-Mortem Report to OUSD Board of Education
- ❖ Board of Education Resolution
- ❖ Additional Budget Challenges



Summary of FCMAT Risk Factors

FCMAT Risk Analysis by Response Type



The Fiscal Vitality Plan is a phased approach to convert each “No” to a “Yes”.

FCMAT Risk Factors “NO” Rating Crosswalk

FCMAT Risk Factors with “NO” Rating	Summary of FCMAT Recommendations	Reference to Fiscal Vitality Plan Phases and Recommendations
Deficit Spending	Adopt a plan to eliminate deficit spending	Recovery: 2.1, 2.2, 2.3, 2.4
Fund Balance	Monitor contributions and transfers to restricted programs	Stability: 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7
Reserve for Economic Uncertainty	Develop a plan to restore and maintain reserve	Stability: 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7
Bargaining Agreements	Bargaining beyond COLA must be supported by available fund balance	Vitality: 3.2
Encroachment	Cost containment for Special Education, Nutrition Services, and Early Childhood Education	Stability: 1.7
Position Control and Human Resources	Tracking, creating, and deleting positions; reconciling HR, budget and payroll systems	Stability: 1.2 Recovery: 2.5, 2.6, 2.8
Budget Monitoring and Updates	Budget exception framework	Recovery: 2.4
Leadership Stability	Culture and practices that promote and support systematic reform	Vitality: 3.1, 3.2, 3.3

Phases for Addressing FCMAT Risk Factors

Stability

- ❖ 2017-18 Mid-Year Adjustments
- ❖ Changes to Monitoring and Forecast Practices

Recovery

- ❖ 18-19 Budget Development
- ❖ Establishing Internal Controls
- ❖ Financial and Human Resource Information System Transition

Vitality

- ❖ Defining Roles and Responsibilities for District Oversight
- ❖ Blueprint for Quality Schools



Stability: 2017-18 Mid-Year Adjustments

- 1.1 - Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty
- 1.2 - Institute adjustments to existing Central Office positions
- 1.3 - Maximize the use of restricted revenue resources
- 1.4 - Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings
- 1.5 - Pursue capture of donated days and/or furlough
- 1.6 - Adjust school per pupil allocations to capture savings



2017-18 Mid-Year Adjustments Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
1.1 Restore Ending Fund Balance	Identify, implement, and monitor mid-year budget adjustments.	2nd Interim Report completed	Forecasted Actuals (April) Unaudited Actuals (August)
1.2 Adjustments to Central Positions	Implement a hiring freeze. Identify reductions to and eliminations of existing central office positions.	Position elimination and reduction notices sent. Layoffs pending. Project \$800K savings	Review actual reduced budgets once March/April payroll completed.
1.3 Maximize Restricted Revenue	Identify potential expenses that are appropriate and consistent with the rules for allowable use.	Current program development did not provide for anticipated savings.	Redefine programs to maximize General Fund and Restricted Fund Resources.
1.4 Evaluate Contracts, Books, and Supplies	Review existing and planned contracts for reduction or termination.	\$800K of reductions have been realized to date	Continue to review ways to reduce existing contracts and avoid additional contracts
1.5 Donations/ Furloughs	Payroll unit to compile data related to anticipated furlough savings.	\$250K of savings from generosity of employees	Continue to track and monitor anticipated savings
1.6 Adjustments to Per-Pupil Allocations	Identify equitable and sustainable reductions in per-pupil allocations.	\$3.8M reductions projected. \$3.2M realized.	Review actual reduced budgets once March/April

Stability: Monitor and Forecast Practices

1.7 - Institute closer monitoring of contributions to other programs (e.g., special education, nutrition, and early childhood education)

1.8 - Update and implement budget forecast and projection practices

1.9 - Review and update cash flow monitoring practices

1.10 - Institute immediate protocols to limit and review spending among Central Office and school sites



Monitor and Forecast Practices Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
1.7 Develop plan to monitor contributions to SpEd, Nutrition, and ECE services	Create a method to identify, track, and report revenue generation and cost drivers; flag changes in trends and budget impact.	Reviewing current programs and cost analysis. At 2nd Interim, Nutritional Services contribution increased by \$550k.	Create plan to administer a comprehensive needs assessment for each program to identify, track, and report program needs.
1.8 Update and implement budget forecast and projection practices	Prepare interim and multi-year projection (MYP) reports to inform leaders on the fiscal impact of decisions and the sustainability of programs.	Developed an MYP tool to demonstrate fiscal impact of decisions. Prepared 2nd Interim and MYP which reflects all appropriate assumptions.	Continue to use the MYP tool, incorporate cost-saving and revenue realignment measures to maximize resources.
1.9 Review and update cash flow monitoring practices	Establish monthly cash flow reconciliation for all programs; stabilize and rebuild the reserve.	Developed real-time tools to forecast cash flow from payroll.	Continue to build real-time cash flow tools for all types of expenses.
1.10 Institute protocols to limit and review spending patterns	Monthly budget monitoring meetings with Network Supts and fiscal staff.	Budget development meetings identified spending plans for 18-19.	Calendar monthly budget monitoring meetings for 18-19.

Recovery: 18-19 Budget Development

2.1 - Plan for and adopt a balanced budget that avoids future deficit spending

2.2. - Establish and conduct zero-based budgeting sessions with all Central Office departments and schools

2.3 - Research, engage, and implement a Central Office reorganization



18-19 Budget Development Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
2.1 Plan and adopt a balanced budget to avoid deficit spending	Identify all key assumptions to include in 18-19 budget development (see pg 32 of FVP).	All key assumptions are included in 18-19 budget development and confirmed with FCMAT, State Trustee, and WestEd.	Load a balanced 18-19 budget adoption which reflects all key assumptions to avoid deficit spending.
2.2 Zero-based budgeting sessions	Review and rebuild all budgets for 18-19 budget development to identify and justify all expenses.	Zero-based budgeting sessions concluded in December 2017. School Site budget sessions are complete and Central Office sessions are in progress.	District leaders are making decisions to reorganize the Central Office based on information from zero-based budgeting..
2.3 Research, engage, and implement a Central Office reorganization	Identify impact of roles and responsibilities of central office leadership to foster an efficient and effective leadership structure.	Clarified central office services, maximized efficiency, and developed focus for the district to achieve its core mission to meet the needs of students.	Develop a revised organizational chart that reflects clear reporting relationships and functional responsibilities.

Recovery: Internal Controls

2.4 - Institute and conduct monthly central office and school site budget monitoring practices

2.5 - Review, update and implement effective position control practices

2.6 - Develop a process for pre-approval for extra time employee payments

2.7 - Review and implement revised contract approval, processing and management procedures

Internal Controls Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
2.4 Conduct monthly budget monitoring practices	Engage Central Office and school leaders in training to understand the budget exception framework.	Will be the focus of work from April- June	Monthly actual/budget exception reporting starting in April
2.5 Review, update, and implement position control practices	Regularly reconcile payroll, budget and position control reports to identify misaligned information.	Will be the focus of work from April- June, including incorporation of upcoming ESCAPE system	Creating routine monthly exception reporting
2.6 Develop a process for pre-approval for extra-time employee pay outside of contract	Create a work group to develop a process to support an efficient and effective process to pre-approve payments and monitor budgets for employee extra time.	A <u>memo</u> was sent to all site and department leaders to communicate a pre-approval process	Formalize ongoing processes and internal systems to support and train all staff on the updated policies and practices.
2.7 Review and implement contract approval, processing, and management procedures	Establish clear criteria for appropriate contracted services to ensure this area of expenditures is strategic and supportive of district priorities.	Will be the focus of work from April- June, including incorporation of upcoming ESCAPE system	Creating routine monthly exception reporting

Recovery: Financial and Human Resource Information System (Escape Implementation)

2.8 - Complete transition to Escape technology system to manage finance and human resource (HR) information

- ✓ Forecasting and budgeting module for all funds
- ✓ Workflow automation with approvals
- ✓ Built-in reporting
- ✓ Standardized and integrated with Alameda County



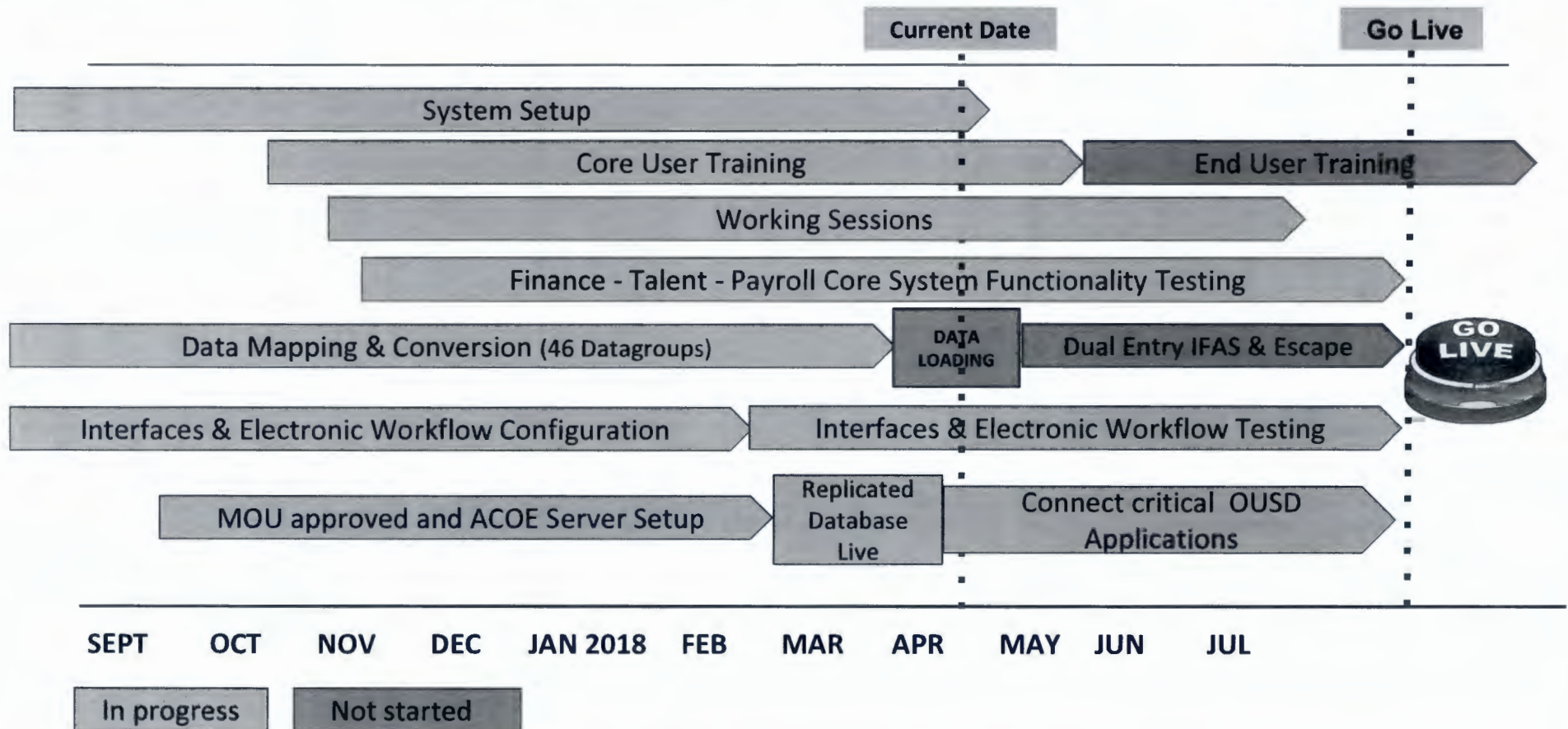
Escape Implementation Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
2.8 Transition to Escape Technology System	The District is asked to fully support staff in the teaching and learning of the transition from IFAS to ESCAPE	Completed since last update (Dec) <ul style="list-style-type: none">• System setup, data mapping and data conversion• Multiple core training and working sessions• Replicated database live	<ul style="list-style-type: none">• Additional core training and working sessions• Dual data entry phase (IFAS & Escape)• Test core system functionalities• End user training sessions• Configuration and testing of interfaces and key electronic workflows

ESCAPE IMPLEMENTATION TIMELINE



OAKLAND UNIFIED
SCHOOL DISTRICT
Community Schools, Thriving Students



Escape Budget Summary

One Time Implementation Costs	Y1: 16/17	Y2: 17/18
Budget	\$264,750	\$353,013
Actual	\$106,525	\$150,463
Estimate to Complete		\$181,025
Estimate at Complete		\$331,488
Differential	\$158,225	\$21,525

As we go through this implementation we realize there are further improvements (i.e. online timesheets, electronic leaves, etc.) that the District could benefit from (Phase II). This would require an additional budget for 2018/19. Next steps:

- Gather list of improvements
- Get quote from ACOE/Escape
- Make final decision on improvements we will implement

Overall budget for one-time implementation (Phase I) costs \$617,773

2016/17

- Budget \$264,750
- Actual \$106,525
- Below budget by \$158,225

2017/18

- Budget \$353,013
- Actual to date \$150,463
- Estimate to complete \$181,025
- Estimate at complete \$331,488
- Estimate below budget \$21,525

Recovery: Revenue Maximization

2.9 - Review and execute on shifts in expenses that maximize the use of restricted funds



Revenue Maximization Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
2.9 Maximize use of restricted funds for 17-18	Review all allocation methods to identify how to best align allocations to district and site priorities.	Reviewed current use of restricted funds and were unable to realign under current program structure.	Identify Central Office and Instructional Program alignment opportunities for 18-19.
2.9 Maximize use of restricted funds for 18-19	Identify potential redirection of funds to other uses consistent with program rules and district priorities.	Pending Central Office and instructional program alignment to LCAP priorities.	Upon completion of program alignment, review and reallocate restricted funds, where appropriate.

Vitality: Defining District Oversight Priorities

3.1 - Roles and responsibilities of school district and school leaders with budget oversight

3.2 - Management and oversight of bargaining agreements

3.3 - Conduct and deliver study and recommendations from the 'Blueprint for Quality Schools'



Oversight Responsibilities Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
3.1 Establish budget oversight responsibilities	Review, revise and update procedures specific to the roles and responsibilities of school district and school leaders related to budget oversight.	Engaging budget officers in developing budget development and monitoring oversight responsibilities.	Hire new CBO/CFO.
3.2 Management of bargaining agreements	Bargaining agreements commitments need to include full consideration of known and estimated multi-year effects.	Developing a process to define and document assumptions for current budget year plus two upcoming budget years.	Establish procedures to make adjustments, as they are known to determine current and long-term fiscal impact.
3.3 Complete study on 'Blueprint for Quality Schools'	Finalize Quality Schools Action Plan and Facilities Master Plan	Update on Quality Schools Master Plan to Board on March 14. First read of Facilities Master Plan on April 11.	Finalize Quality Schools Action Plan and ongoing budget to support the work. Second read and adoption of the Facilities Master Plan.

Support from the Board

- ❖ Appreciation of Board support as OUSD makes progress towards addressing the FCMAT Risk Factor areas.
- ❖ Moving into 18-19, schedule regular reporting periods to the Board where OUSD staff will communicate the status of the Fiscal Vitality Plan and other areas of concern.
- ❖ Support the search for the new CBO.

If OUSD needed board support for a hiring freeze, or a purchasing freeze, this is where the support could be requested.

Committed to Fiscal Vitality



: iam OUSD 🌳 .



**OAKLAND UNIFIED
SCHOOL DISTRICT**
Community Schools, Thriving Students

1000 Broadway, Suite 680, Oakland, CA 94607

www.ousd.org



@OUSDnews



2018-2020 Fiscal Vitality Implementation Plan Update 2

May 23, 2018



Presented by: Troy Christmas, Fiscal Services Director
To: OUSD Board of Education

www.ousd.org



@OUSDnews

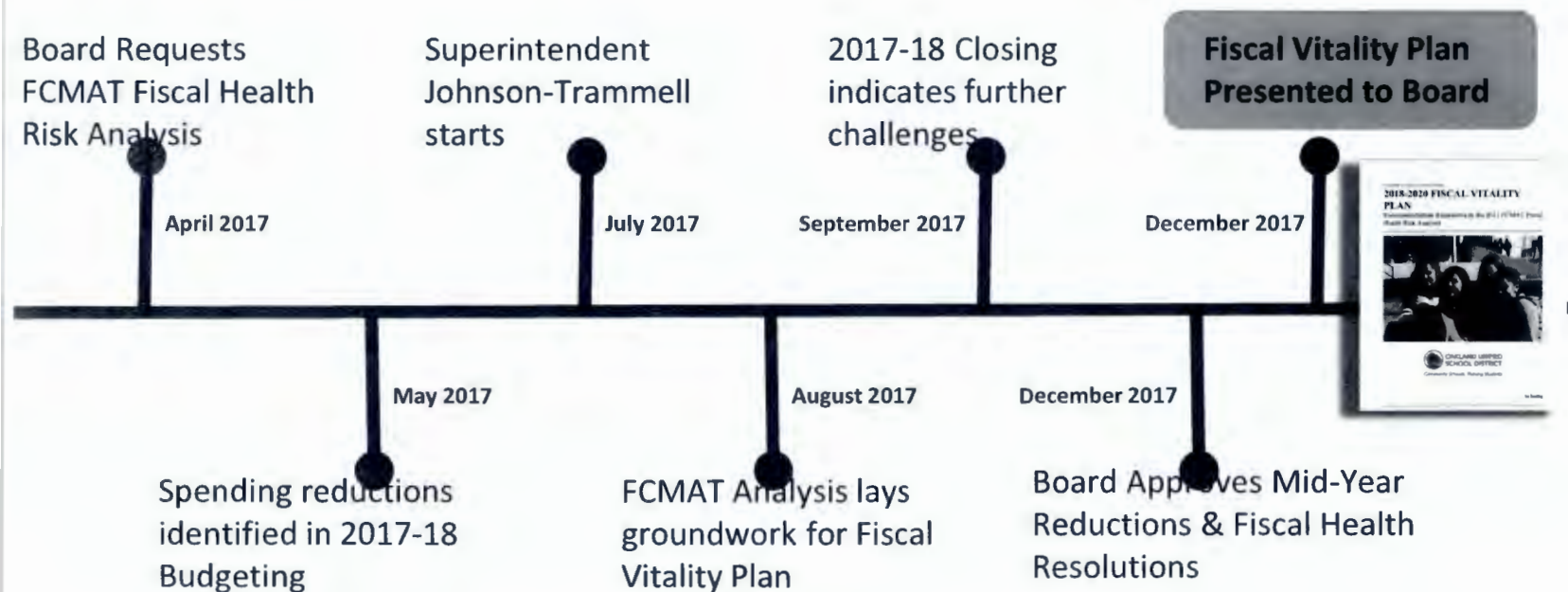
Outcomes

Update on Fiscal Vitality Plan

- ❖ Outline of Required Steps
- ❖ Report on Progress to Date
- ❖ Review of Next Steps

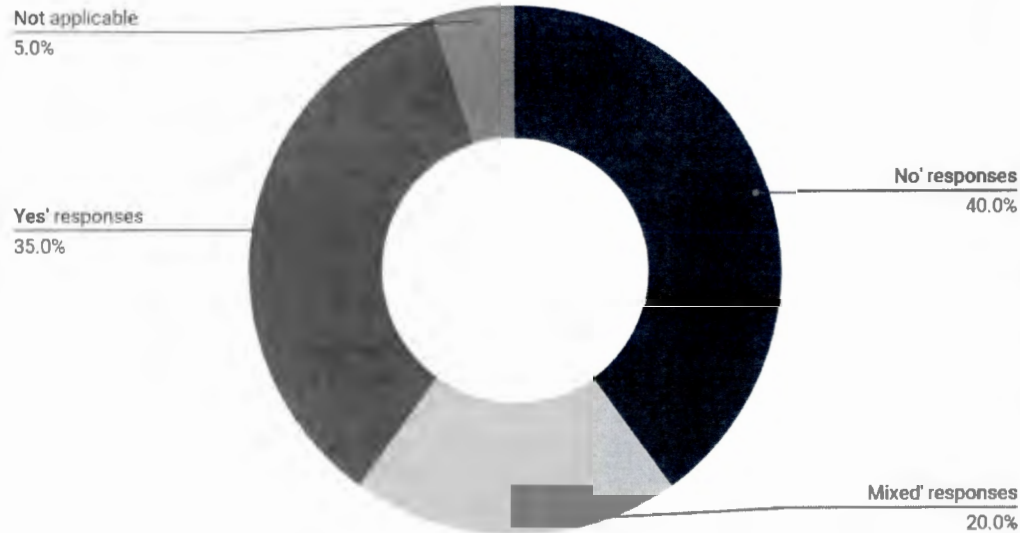


Our Journey Toward Fiscal Vitality is ongoing . . .



Summary of FCMAT Risk Factors

FCMAT Risk Analysis by Response Type



OUSD rated “No” or “Mixed” in 12 of 20 areas of fiscal health.

The Fiscal Vitality Plan is a phased approach to convert each “No” or “Mixed” to a “Yes”.

Fiscal Vitality Plan Identified 3 Overlapping Phases

Stability (1 - 6 months)

- 2017-18 Mid-Year Adjustments
- Begin Improved Monitoring Practices

Recovery (3 - 12 months)

- Improve Forecasting in 18-19 Budget Development
- Establishing Internal Controls
- ESCAPE Information System Transition

Vitality (6 - 18 months)

- Defining Roles and Responsibilities for Oversight
- Blueprint for Quality Schools



FCMAT Risk Factors “NO” Rating Crosswalk

FCMAT Risk Factors with “NO” Rating	Summary of FCMAT Recommendations	Reference to Fiscal Vitality Plan Phases and Recommendations
Reserve for Economic Uncertainty	Develop a plan to restore and maintain reserve	Stability: 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7
Fund Balance	Monitor contributions and transfers to restricted programs	Stability: 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7
Encroachment	Cost containment for Special Education, Nutrition Services, and Early Childhood Education	Stability: 1.7
Deficit Spending	Adopt a plan to eliminate deficit spending	Recovery: 2.1, 2.2, 2.3, 2.4
Budget Monitoring and Updates	Budget exception framework	Recovery: 2.4
Position Control and Human Resources	Tracking, creating, and deleting positions; reconciling HR, budget and payroll systems	Stability: 1.2 Recovery: 2.5, 2.6, 2.8
Leadership Stability	Culture and practices that promote and support systematic reform	Vitality: 3.1, 3.2, 3.3
Bargaining Agreements	Bargaining beyond COLA must be supported by available fund balance	Vitality: 3.2

Stability: 2017-18 Mid-Year Adjustments

- 1.1 - Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty
- 1.2 - Institute adjustments to existing Central Office positions
- 1.3 - Maximize the use of restricted revenue resources
- 1.4 - Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings
- 1.5 - Pursue capture of donated days and/or furlough
- 1.6 - Adjust school per pupil allocations to capture savings



Mid Year Adjustments Sought to Cover Any Shortfall

Projected	Current	Adjustment	Notes
\$3.8M	\$3.72M	School Site Adjustments	Incl. eliminations, reductions and movement to restricted
\$2.1M	\$2.30M	Central Office FTE Adjustments	FTE eliminations, reductions and movement to restricted
\$1.6M	\$0.10M	Central Office Maximize Restricted Resources	Projected adjustments were not captured due to a focus on ensuring compliance and minimizing unintended consequences (e.g. audit findings)
\$0.5M	\$0.79M	Central Office Books & Supplies	\$0.29M adjustments from 4000s
\$0.4M		Central Office Contracts	\$0.5M adjustments from 5000s
\$0.4M	--	Central Office Undesignated reduction	Projected adjustments were not captured- no additional area of savings was identified
\$0.25M	\$0.25M	Central Office Donations & Furloughs	Central Office Senior Leader donations fully realized
\$9.0M	\$7.16M	TOTAL	

Plan to Restore Reserves - Mid-Year Adjustments

\$5.7M

Additional Costs
since 1st Interim

Restricted
Programs Costs

Health Benefit
Contribution

Unpaid 2016-17
Invoices

Legal/Labor
Settlements

Subs/Overtime
/Extra-time

Reinstated
Positions

\$7.16M

Savings realized
since 1st Interim

Mid-Year
Adjustments

Result:

Based on current working budget, \$1.4M in projected savings available to cover the \$1.1M shortfall identified at 1st Interim & any other shortfall.

Changes in revenue and other risks will impact actual results

Stability: Monitor and Forecast Practices

1.7 - Institute closer monitoring of contributions to other programs (e.g., special education, nutrition, and early childhood education)

1.8 - Update and implement budget forecast and projection practices

1.9 - Review and update cash flow monitoring practices

1.10 - Institute immediate protocols to limit and review spending among Central Office and school sites



Monitor and Forecast Practices Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
1.7 Develop plan to monitor contributions to SpEd, Nutrition, and ECE services	Create a method to identify, track, and report revenue generation and cost drivers; flag changes in trends and budget impact.	Frequent review of cost projections and updating of budgeted needs. Identified cost savings in Early Childhood	Create plan to administer a comprehensive needs assessment for each program to identify, track, and report program needs.
1.8 Update and implement budget forecast and projection practices	Prepare interim and multi-year projection (MYP) reports to inform leaders on the fiscal impact of decisions and the sustainability of programs.	Developed an MYP tool to demonstrate fiscal impact of decisions. Prepared 2nd Interim and MYP which reflects all appropriate assumptions.	Refine MYP tool to incorporate better use of historical data. Incorporate cost-saving and revenue realignment measures to maximize resources.
1.9 Review and update cash flow monitoring practices	Establish monthly cash flow reconciliation for all programs; stabilize and rebuild the reserve.	Developed real-time tools to forecast cash flow from payroll.	Continue to build real-time cash flow tools for all types of expenses, primarily invoices.
1.10 Institute protocols to limit and review spending patterns	Monthly budget monitoring meetings with Network Supts and fiscal staff.	Budget development meetings identified spending plans for 18-19.	Calendar monthly budget monitoring meetings for 18-19.

Recovery: 18-19 Budget Development

2.1 - Plan for and adopt a balanced budget that avoids future deficit spending

2.2. - Establish and conduct zero-based budgeting sessions with all Central Office departments and schools

2.3 - Research, engage, and implement a Central Office reorganization



18-19 Budget Development Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
2.1 Plan and adopt a balanced budget to avoid deficit spending	Identify all key assumptions to include in 18-19 budget development (see pg 32 of FVP).	Coordination among staff, State Trustee, and WestEd on budget assumptions. Better inclusion of historical and current info.	Load a balanced 18-19 budget adoption which reflects all key assumptions to avoid deficit spending.
2.2 Zero-based budgeting sessions	Review and rebuild all budgets for 18-19 budget development to identify and justify all expenses.	Zero-based budgeting sessions concluded in December 2017. School and central allocations complete and within available funds	Complete allocation of non-labor expenses in progress for central office departments based in zero-based protocol
2.3 Research, engage, and implement a Central Office reorganization	Identify impact of roles and responsibilities of central office leadership to foster an efficient and effective leadership structure.	Phase I completed including net reduction of 31.5 FTE. Revised organizational chart that reflects clear reporting relationships and functional responsibilities.	Implementation of realigned work and communication of modified roles and responsibilities.

Recovery: Internal Controls

2.4 - Institute and conduct monthly central office and school site budget monitoring practices

2.5 - Review, update and implement effective position control practices

2.6 - Develop a process for pre-approval for extra time employee payments

2.7 - Review and implement revised contract approval, processing and management procedures

Internal Controls Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
2.4 Conduct monthly budget monitoring practices	Engage Central Office and school leaders in training to understand the budget exception framework.	On hold	Schedule training sessions
2.5 Review, update, and implement position control practices	Regularly reconcile payroll, budget and position control reports to identify misaligned information.	Underlying data comparison tools created and variances being monitored and addressed	Train additional staff to run, analyze and report data from reconciliation tools. Apply similar methods to ESCAPE
2.6 Develop a process for pre-approval for extra-time employee pay outside of contract	Create a work group to develop a process to support an efficient and effective process to pre-approve payments and monitor budgets for employee extra time.	A memo was sent to all site and department leaders to communicate a pre-approval process	Formalize ongoing processes and internal systems to support and train all staff on the updated policies and practices.
2.7 Review and implement contract approval, processing, and management procedures	Establish clear criteria for appropriate contracted services to ensure this area of expenditures is strategic and supportive of district priorities.	Analysis of current situation and recommendations being prepared by WestEd.	Review Recommendations and build appropriate monitoring and review processes.

CL XL error
Error: IllegalTag
Operator: 0x27
Position: 112915

2018-2020 Fiscal Vitality Implementation Plan Update 3

Sept 12, 2018



Presented by: Troy Christmas, Senior Director of Special
Projects, Operations Division
To: OUSD Board of Education

www.ousd.org



@OUSDnews

Outcomes

Update on Fiscal Vitality Plan

- ❖ Outline of Work
- ❖ Report on Progress to Date
- ❖ Review of Next Steps



FCMAT Risk Factors “NO” Rating Crosswalk

FCMAT Risk Factors with “NO” Rating	Summary of FCMAT Recommendations	Reference to Fiscal Vitality Plan Phases and Recommendations
Reserve for Economic Uncertainty	Develop a plan to restore and maintain reserve	Stability: 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7
Fund Balance	Monitor contributions and transfers to restricted programs	Stability: 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7
Encroachment	Cost containment for Special Education, Nutrition Services, and Early Childhood Education	Stability: 1.7
Deficit Spending	Adopt a plan to eliminate deficit spending	Recovery: 2.1, 2.2, 2.3, 2.4
Budget Monitoring and Updates	Budget exception framework	Recovery: 2.4
Position Control and Human Resources	Tracking, creating, and deleting positions; reconciling HR, budget and payroll systems	Stability: 1.2 Recovery: 2.5, 2.6, 2.8
Leadership Stability	Culture and practices that promote and support systematic reform	Vitality: 3.1, 3.2, 3.3
Bargaining Agreements	Bargaining beyond COLA must be supported by available fund balance	Vitality: 3.2

Fiscal Vitality Plan Identified 3 Overlapping Phases

Stability (Jan - Jun 2018)

- Improve Monitoring Practices

Recovery (Mar 2018 - Mar 2019)

- Improve Multi-Year Forecasting in Budget Development
- Establishing Internal Controls
- ESCAPE Information System Implementation

Vitality (Jun 2018 - Jun 2019)

- Defining Roles and Responsibilities for Oversight
- City Wide Vision/ Blueprint for Quality Schools/Asset Management



Stability Phase Highlights (Jan - Jun 2018)

- 2017-18 Mid-Year Adjustments combined with improved monitoring and controls have resulted in better-than-estimated results (e.g. Fund Balance, Reserves)
- Better budget projection tools and resulting reductions in 2018-19 budgets should result in further stability
- School Site Budgets restored to pre-adjustment levels for 2018-19

Recovery Phase Highlights (Mar 2018 - Mar 2019)

- ESCAPE Go-Live July 1, 2018, bumpy but positive reception
- ESCAPE Training, including internal process adjustments are high need
- Early efforts at internal controls focused on attendance tracking, contracting improvements and resolving auditing findings
- Board Policy Review and alignment of practices initiated in this phase as part of internal controls work
- Pending legislation may require modifications in focus

Highlights of WestEd Contracting Study (What we buy)

General Fund | 2017-18 Unaudited Actuals | All 5800 Object Codes

- \$55M total spent on 5800s, down \$2.5M from 2016-17 (Contracted Services & Other)
- \$27M of spend from Unrestricted funds (Slightly less than 50%)
- Of \$27M, half spent on Transportation (\$9M) and Licensing Fees (\$4M)
- Of \$27M, Consultants (\$8M), Contracted Services (\$2.6M), External Work Orders (\$1.6M) are largest remaining categories
- Of the \$8M in Consultants, half initiated by Central Departments or for Districtwide expenses (e.g. Blueprint, Counseling services)

Highlights of WestEd Contracting Study (How we buy)

- Consider using master contracts wherever possible
- Focus on sites that generate majority of contracts (\$/#)
- Clearly define roles & responsibilities and conduct frequent training and regular communication of changes
- Streamline through centralizing vendor management, using ESCAPE and limiting contracts requiring legal review



Vitality Phase Highlights (Jun 2018 - Jun 2019)

- Clarifying roles and leadership oversight is ongoing, but somewhat delayed due to substantial turnover in leadership staff throughout Business & Operations
 - Staff stabilization expected Fall 2018
- Finance actively engaged in supporting bargaining efforts
- Realignment work of Blueprint ongoing

Next Steps

- Spearhead internal controls implementation; requires cross-departmental collaboration, easy monitoring, and regular oversight
- Support informed budgeting for 2019-20 with comprehensive cost analysis and adherence to state and county requirements
- Continue staff training on ESCAPE and process changes

Board Questions & Public Comment



: iam OUSD ..



**OAKLAND UNIFIED
SCHOOL DISTRICT**

Community Schools, Thriving Students

1000 Broadway, Suite 680, Oakland, CA 94607

www.ousd.org



[@OUSDnews](https://www.instagram.com/ousdnews)