



OAKLAND UNIFIED
SCHOOL DISTRICT

expect **Success**

Multi-Year Financial Sustainability Plan (MYFSP)

2nd Draft

Wednesday, December 17, 2008

Timeline

- 9/10 – 2007-08 Closing of the Books
- 10/1 – Small Schools Financial Analysis
- 11/19 – Results Based Budgeting (RBB) Analysis
- 12/10 – '08-09 Interim Budget Report
- **12/17 – Second draft of MYFSP**
- January – BOE Budget Working Sessions
- 1/7 – Implement approved modifications to RBB
- 1/10 – Governor's proposed state budget for 2009-10
- 1/28 – Third/Final Draft MYFSP

Background

- In July of 2008, the Board of Education (BOE) called on the Interim Superintendent to finalize and publish the MYFSP for 2008-09 to 2010-11
- Feedback will be collected from the BOE on this second draft, to be incorporated into the final version
- An Advisory Committee will meet twice (once in December and January) to review and provide supplemental feedback on this second draft
- The final MYFSP will be presented to the BOE on Jan. 28

MYFSP

This presentation will highlight new content that has been developed for the second reading of the MYFSP, as well as material that has been significantly updated and revised since the first reading in May 2008.

There are some recommendations included that the BOE and District leaders can begin to implement immediately.

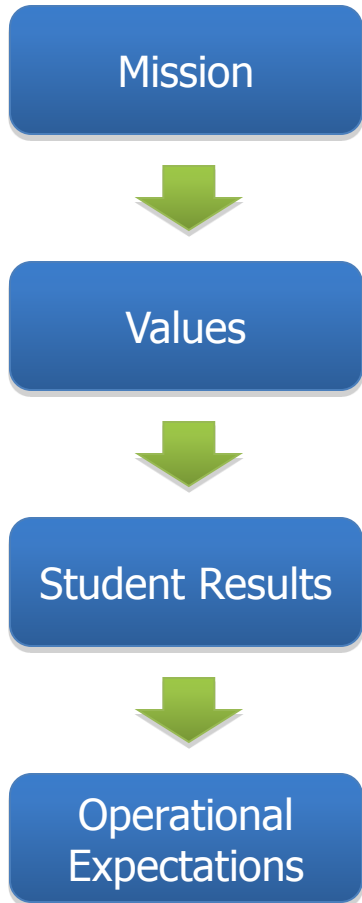
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Executive Summary

- Long-term financial sustainability is foreseeable. However, the District faces the following challenges:
 - California's economic and fiscal condition
 - Stabilize the District's enrollment
- This plan is a living document that provides guidance to the District to sustain the financial health of the District. This document should be reviewed and revised regularly every 2-3 years.

District Goals



Mission, Values, Student Results & Theory of Change

OUSD is committed to ensuring that all students graduate as caring, competent, and critical thinkers, fully informed, engaged and contributing citizens, prepared to succeed in college and career.

Achievement, Equity, and Accountability

1. All students are reading proficient by the end of 3rd grade.
2. All students are Algebra proficient by the end of 9th grade.
3. All students graduate by the end of 12th grade.
4. All students take responsibility for themselves and for the common good.
5. All students possess skills and resiliency necessary for success in the workplace.

District Goals

Proposed OUSD Theory of Change to Accelerate Student Learning & Achievement, as discussed at the Board Retreat, December 13, 2008:

“Our Number One Priority is to have high-quality instruction that results in student learning in every classroom.”

History: An Update to the 2005 MYFRP

Primary purpose of the 2005 MYFRP was to institute a set of recommendations (26) that would help the District to progress towards financial recovery indicated primarily by:

1. A healthy unrestricted, General Fund reserve, and
2. An annual budget where expenses *do not exceed* revenues.

The current, proposed MYFSP updates and expands on the successful recommendations of the MYFRP.

Importance of Effective Resource Use

The transition to District fiscal sustainability should be marked by not only internal policies and controls but also by a culture of fiscal responsibility.

- *Strategic budgeting* is the allocation of resources in a way that is focused on accelerating the achievement of students.
- Fully implement an annual cycle of data-driven inquiry that creates better alignment of District resources towards its goals across various leadership levels including the Board of Education, Cabinet, Central Office departments, and schools.

Factors Affecting District Budgets

- To mitigate **declining enrollment** we need to continue to strengthen academic programs to attract families; tie Central Office resources to enrollment changes; generate additional revenues; and implement a plan to close schools that are underperforming academically.
- To offset the **impact of charter schools** the District should exchange effective policies and best practices; include district-wide expenses in charter agreements; and provide District services to charters for a fee to increase revenue for the District.
- Strive to **increase reserve levels** to help mitigate single or multi-year state budget cuts, establish a **“rainy day” fund** that can be withdrawn in times of revenue shortfall for the District, seek funding flexibility.

Fiscal Policies and Controls

- **Results-Based Budgeting**
- **Service Culture**
- **School Size Financial Analysis**
- Debt Structure and Control
- Resolving Audit Findings
- Credit Rating Restoration
- Cash Flow Management

Fiscal Policies and Controls

Results-Based Budgeting (RBB)

Based on the BOE's direction from reviewing the internal District analysis and the American Institute for Research study, the District has begun work in the following areas:

- Provide **differentiated support** to principals via new budget tools and Operation Support Coaches,
- Build **transparency of Central Office budgets** and the RBB allocation formula,
- Develop **funding mechanisms for special circumstances** such as employees on extended leave or transfers,
- **Enhance RBB technology** through integration with the Integrated Financial Accounting System,
- Conduct an **annual review** of various aspects of RBB.

Fiscal Policies and Controls

Service Culture

Based on reviews and evaluation conducted throughout the fall, the District has transitioned towards a quality service culture and away from the service economy. In order to build upon prior years' work, it is recommended to:

- Continue **to increase the proportion of General Purpose dollars that go to school sites**. It is projected that 87% will be allocated to schools by 2012, up from the current 85%.
- Create a **stronger link between the performance management cycle and budget development** for Central Office departments.
- Work with bargaining units to **revise staff performance evaluations** (per Board Policy) to link performance to student results.

Fiscal Policies and Controls

School Size Financial Analysis

Based on work conducted throughout the fall the District will use the School Portfolio Management (SPM) process and recommendations to define an optimum school size.

- The Board is currently reviewing the recommendations for Phase I implementation in 2009-10,
- A larger number of schools will begin a community engagement process as a part of the 2010-11 SPM Phase II process.

Revenue Enhancements

- **Asset Management**
- Increasing Average Daily Attendance
- Class Size Reduction
- Private fundraising
- **Leveraging Local Tax Bases**
- Redevelopment Agency Proceeds

Revenue Enhancements

Asset Management

Leasing District property may provide an opportunity to raise revenue. The Facilities department will use a consultant or firm to assist with the development of an Asset Management Plan. The Plan will include:

- A **comprehensive inventory** of all District-owned property (including estimated market value and current uses),
- A **“space utilization” formula** for each site,
- Analysis of current and **future enrollment trends** to determine unused and underused facilities.

A draft of the Asset Management Plan is estimated to be completed in the spring of 2009.

Revenue Enhancements

Leveraging Local Tax Bases

The passage of a new parcel tax for the District could introduce a new and potentially perpetual revenue stream. Dependent upon its structure, it could generate between \$15 and \$30 million annually.

- **Include all stakeholders** in the creation and design of any proposed tax.
- **Secure campaign funding** to educate Oakland voters about the need for and uses of additional funding.
- **Design the tax for success** by considering voter perceptions of what the community can bear as an additional tax.

Expenditure Controls

- **Managing the Use of Consultants and Vendors**
- **Retaining High Performing Employees**
- Investing in technology
- **Reducing Utility Costs**
- **Contribution to Special Education**
- Reduce the Number of Central Office General Purpose Hires
- Containing Vacation and Sick Leave
- Employee Health & Welfare Benefits
- Monthly budget reviews

Expenditure Controls

Manage Use of Consultants and Vendors

The District's contracting process should be modified to create a more efficient process and ensure a shorter timeline for processing vendors to work within the District.

- Develop **master contracts** with vendors to ensure quicker turnaround for schools to initiate work with common vendors.
- Consider a position that will be charged with negotiating and managing contracts with vendors, increasing consistency across contracts and securing better rates and terms.
- Use **technology to streamline the process** through web-based tools accessible to all District employees containing a database of all contractors and vendors.

Expenditure Controls

Retain High Performing Employees

The District's largest investment is in people. Annually, \$324 million or 67% of General Fund dollars are for employee compensation. It is critical to attend to the recruitment and retention of high performing employees.

- Through better data collection, track information about high performing employees' reasons for leaving the District. This data will inform future considerations for supporting our high performing employees.
- Prepare for increased turnover in the District's teacher workforce as baby boomers begin to retire, and
- Regularly review retention and turnover through financial and operational turnover trends, step and column patterns and associated costs of recruiting and replacing employees.

Expenditure Controls

Reduce Utility Costs

Analysis shows a steady, rising cost to utilities within the District. This rising cost can be mitigated and potentially reduced over time. Some of the potential opportunities to reduce this cost include:

- Identify existing resources in the District to investigate additional energy rebates that the organization may be eligible for. These energy saving programs provide long-term cost reduction as well as a one-time rebate.
- Develop a school utility education and refund program that provides an incentive to sites to conserve energy as well as opportunity for students to learn about the value of energy savings.

Expenditure Controls

Contribution to Special Education

The contribution to Special Education has grown significantly in the past two years. One contributing factor is a shift in the type of students. A large proportion are children with needs that are more costly to provide.

- **Strengthen operational controls** – Build policy and procedures around NPA/S contracts and program to ensure better tracking of expenditures.
- **Migrate students to District programs** – Work to decrease the students in NPA/NPS programs by developing norms, policies, and procedures to return students to school programs.
- **Consider redesign of staff positions** – Potential reassignment of specialized staff may help to reduce costs.

Next Steps

1. A community committee convenes tomorrow to provide additional feedback on analysis and recommendations of the draft plan. Feedback from the Committee will be incorporated into the final draft.
2. Present a final, revised MYFSP to the Board on Jan. 28 based on feedback from the BOE members and the community committee.
3. The Superintendent will provide bi-annual updates to the BOE and community on the progress of implementing MYFSP.