

Oakland Unified School District

Board of Education
1000 Broadway, Suite 680
Oakland, CA 94607-4099
(510) 879-8199 Voice
(510) 879-2299 eFax
(510) 879-2300 eTTY/TDD
boe@ousd.org E-Mail



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Meeting Minutes Long - Final

Monday, April 3, 2017

6:00 PM

**KDOL TV Studio, B-237, Met West High School Entrance, 314 East 10th Street,
Oakland, CA 94606-2291**

Audit Committee

Dan Lindheim, Chair
Gregory Redmond, Vice Chair
Beverly Hansen, Secretary
Members: Frank Tsai, (Vacancy)

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អ្នកណាដែលត្រូវការសេវាបកប្រែភាសាដោយផ្ទាល់មាត់ ឬជាលាយលក្ខណ៍អក្សរ ឬត្រូវការការជួយសម្រេចសម្រួលយ៉ាងសមរម្យ មួយ ដើម្បីចូលរួមក្នុងកិច្ចប្រជុំសាធារណៈ ត្រូវផ្តល់ដំណឹងទៅកាន់ទីការិយាល័យនៃក្រុមប្រឹក្សាអប់រំ ឱ្យបានចិតសិចពី (72) ម៉ោង មុនកិច្ចប្រជុំ តាមរយៈទូរស័ព្ទលេខ (510) 879-8199 ឬតាមរយៈអ៊ីមែល boe@ousd.org ឬទូរស័ព្ទ eTTY/TDD លេខ (510) 879-2300 ឬទូរសារលេខ (510) 879-2299។

الامتثال لقانون الأمريكيين ذوي الإعاقات (ADA) وتوفير الخدمات اللغوية

من يحتاج إلى خدمات الترجمة المكتوبة أو خدمات الترجمة الفورية أو الترتيبات التيسيرية المعقولة لكي يساهم في الاجتماعات فالمرجو منه إبلاغ مكتب إدارة التعليم إثنين وسبعين (72) ساعة قبل الاجتماع بوسيلة من الوسائل التالية:

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A. Call to Order

Chairperson Dan Lindheim called the meeting to order at 6:00 P.M.

B. Roll Call

Present 4 - Member Frank Tsai
Secretary Beverly Hansen
Vice Chairperson Gregory Redmond
Chairperson Dan Lindheim

C. Speaker Request Cards/Modification(s) To Agenda

None.

D. Adoption of Committee Minutes



[17-0620](#)

Minutes - Audit Committee - February 6, 2017

Approval by the Audit Committee of its Regular Meeting Minutes of February 6, 2017

Attachments: [17-0620 Minutes - Audit Committee - February 6, 2017](#)

A motion was made by Secretary Hansen, seconded by Member Tsai, that the February 6, 2017 Minutes be adopted. The motion carried by the following vote:

Aye: 4 - Member Frank Tsai
Secretary Beverly Hansen
Vice Chairperson Gregory Redmond
Chairperson Dan Lindheim

Non-voting: 0

Enactment No: 17-0388



[17-0630](#)

Minutes - Audit Committee - March 6, 2017

Approval by the Audit Committee of its Regular Meeting Minutes of March 6, 2017.

Attachments: [17-0630 Minutes - Audit Committee - March 6, 2017](#)

A motion was made by Secretary Hansen, seconded by Member Tsai, that the March 6, 2017 Minutes be adopted. The motion carried by the following vote:

Aye: 4 - Member Frank Tsai
Secretary Beverly Hansen
Vice Chairperson Gregory Redmond
Chairperson Dan Lindheim

Non-voting: 0

Enactment No: 17-0389

E. Unfinished Business

 [17-0028](#)**Update - Report - District Purported \$30 Million Deficit - Senior Business Officer**

Updated - Report to the Audit Committee by the Senior Business Officer or designee regarding the District's purported \$30 Million deficit for Fiscal Year 2017-18 and of the Qualified 2nd Interim Report (March, 2015) for current Fiscal Year 2016-17.

Vernon Hal, Senior Business Officer, made the staff presentation.

Hal presented an overview of District finances for the last 7-9 months. The District is current with its audits, had its bond rating restored, and ended the 2015/16 fiscal year with a 2% reserve.

Caution Ahead

State funding is slowing down and there is no wiggle room with the reserves.

2016/17 School Year Overview

- In November, the Special Education Department indicated it needed additional resources after the budget had been developed*
- At the 20th day count enrollment was not up as projected, it was down*
- The District is using the prior year's ADA because it is higher and school districts are allowed to use the higher of the current year or prior year ADA*
- Lower revenue, lower enrollment and the District should have consolidated 42 teaching positions due to low enrollment. Senior Leadership and program staff decided to only consolidate 6 teaching positions*

Chairperson Lindheim asked about the District making teacher consolidations 6 months past the March 15th deadline?

Hal said temporary contracts allow for flexibility in staffing.

He said he informed the Superintendent of the additional funding needed for Special Education for the 2016/2017 school year. In order for the District not to dip into its reserves and go into State receivership, Hal said he recommended a spending freeze in November.

Adjustments to Early Childhood Education and Nutrition Services funding were made at the 1st Interim Report based on the 2015/2016 Closing of the Books. No adjustment was made to Special Education, but it was noted.

At the 2nd Interim Report Hal said he decided to implement the spending freeze. He said when all funds have been allocated and one program needs more money, you have to not spend in other places to fund that need. A letter was sent to staff regarding the freeze effective the following week.

He said if the District did nothing; 1) District runs out of cash and have a negative fund balance; this would lead to a State Trustee. 2) Dip into the fund balance; this requires the District to work with the County Office of Education to figure out the cuts for next year in order to get the reserve fund back up.

Hal said because there has been enough support to start doing the necessary work, he feels confident the District will get this done, but it will be a team effort.

Committee Member Hansen asked about the amount of additional funding requested from Special Education?

Hal said an additional \$5 million between the First and Second Interim report was allocated

to Special Education for non-contracted services to non-public schools and non-public agency costs.

Challenges for the District

- *Special Education cost have increased*
- *Identification/over-identification for Special Education Services*
- *Are there other services that can be provided before Special Education*

Vice Chair Redmond asked were the out of state Special Education placements monitored for outcomes?

Hal said he was not sure. He said legally once placement is in the IEP, the District is mandated to provide the service.

Public Comments

Delton, Carol

Discussed

17-0444

Update - District's 2017-2018 Budget Development Process - Senior Business Officer

Update to the Audit Committee by the Senior Business Officer or designee on the District's 2017-2018 Budget Development Process, including key assumptions regarding enrollment and Special Education funding and costs, and Measure G1 allocation to District Schools and Charter Schools.

Vernon Hal made the staff presentation. Hal presented an overview of 2017/18 assumptions.

- *Anticipate cost of living increases for staff*
- *LCFF revenue will be flat*
- *Using a higher number for PERS and STRS*
- *Anticipate health and welfare costs going down due to a change in one health care provider*
- *Contributions up to Special Education and Early Childhood Education*

Staffing assumptions

24:1 in K-3

31:1 in grades 4 - 5

32:1 in secondary

Committee Member Tsai asked about the District's enrollment projections being off this year.

Hal said optimism on staff's part, Charters Schools, families leaving the area because it is too expensive to live in Oakland, and families could not get their first choice school

Public Comments

Mordecai, Mohammed

Davis, Kim

Discussed

[17-0424](#)

Measure G Financial Audit - Vavrinek, Trine, Day & Co., LLP - Fiscal Year Ending June 2016

Presentation to Audit Committee of the Measure G Financial Audit Report for the Fiscal Year Ending June 2016 by Vavrinek, Trine, Day & Co., LLP ("VTD").

Attachments: [17-0424 Measure G Financial Audit - Vavrinek, Trine, Day & Co., LLP - Fiscal Year Ending June 2016](#)

Leonard Dana, Vavrinek, Trine & Day made the presentation.

Financial Summary

The Measure G Parcel Tax (Measure G) was authorized by an election of registered voters in February 2008. Measure G provides for a special tax of \$195 per taxable parcel in the city of Oakland.

Measure G was approved to

- Attract and retain highly qualified teachers by offering competitive salaries and benefits*
- Prepare students for college by ensuring that high school courses meet University of California requirements*
- Maintain up-to-date textbooks and instructional materials*
- Maintain small class sizes in Kindergarten through grade 3*
- Maintain after school tutoring programs that help students with their homework and keep them out of trouble*
- Maintain school library music and arts programs*

Finding in Audit Report

County Collection Fee – The amount of the collection fee paid to Alameda County for Measure G was \$279,991. Review of actual invoices received from the County, showed the actual charges to Measure G were \$346,934. For Measure N the same fee charged as Measure G (the \$279,991). The Measure N fee from the County was \$213,048. The collection fees charged for Measures N and G were \$559,982. The District initially posted these charges to the two Measures on a 50-50 basis. This matter was pointed out to the District and the correction was made to transfer the correct amount of fee to each of the two Measures. The amount of the transfer is \$66,943.

Revenues for Measure G were down from last year about \$250,000 due to the number of senior citizen exemptions processed during the year.

Chairperson Lindheim asked about issues in the allocation to charter schools.

Dana said Measure G does not provide an allocation to charter schools.

Public Comments

*Mordecai, Mohammed
Delton, Carol*

Discussed

[17-0426](#)**Measure N Financial Audit - Vavrinek, Trine, Day & Co., LLP - Fiscal Year Ending June 2016**

Presentation to Audit Committee of the Measure N Financial Audit Report for the Fiscal Year Ending June 2016 by Vavrinek, Trine, Day & Co., LLP ("VTD").

Attachments: [17-0426 Measure N Financial Audit - Vavrinek, Trine, Day & Co., LLP - Fiscal Year Ending June 2016](#)

Leonard Dana, Vavrinek, Trine & Day made the presentation.

The Measure N Parcel Tax was voter approved on November 4, 2014. Measure N provides for a special tax of \$120 per taxable parcel in the City of Oakland for 10 years. Measure N provides for low income and senior citizen exemptions and requires no less than 90% of the proceeds be allocated for educational programs for students in grades 9 through 12. Proceeds go to District Schools and District authorized Charter schools.

The goals of Measure N

- *To reduce the drop-out rate and provide OUSD high school students with real-world work and learning opportunities*
- *Prepare students for admission to the University of California and other four-year colleges*
- *Expand mentoring, tutoring, counseling support services and transition to job training programs*
-

Summary of the 5 Audit findings.

Finding #1 - Administrative Costs - The ballot language states that no more than 10% of Measure N Proceeds can be spent on administrative overhead. The District needs to implement a procedure to track the administrative cost on a cumulative basis.

Finding # 2 - Administrative Costs - Per review of the detailed payroll expenditures with District personnel, one employee had a portion of their salary and benefits allocated to Measure N in error. The total amount of the correction is \$104,468. The matter was discussed with the District and the appropriate adjustment will be made.

Finding # 3 - Collection Fee to Alameda County and Tax Proceeds to participating Charter Schools - The District has 2 parcel tax measures, Measure G and Measure N. The County of Alameda bills the District a collection fee for collecting and remitting the parcel tax proceeds. For this year, the District initially split the total collection fee 50-50 between the two Measures. Measure N was allocated too much fee and Measure G allocated too little. The amount of misallocation is \$66,943. The matter was discussed with District staff and they have agreed to make the necessary correction.

Finding # 4 - Transfers to Charter Schools – During the year the District transferred \$377,200 in Measure N parcel tax proceeds to six participating Charter Schools. Payments were made and verified. However, the District did not receive any documentation to support how the amounts were arrived at. The District to provide the appropriate backup documentation to support the amounts transferred to these six schools.

Finding # 5 - Charter School Transfers – The Charter Schools that received the funds have their own financial records separate from the District. Auditors were not able to review any of the Charter School expenditures of parcel tax proceeds to ensure they were being spent in accordance with the ballot language. Auditors not aware of any District program or

procedure that monitors the spending of those proceeds by the Charter Schools in question. The District needs to develop a procedure to monitor parcel tax proceeds spent by the Charter Schools in order to ensure compliance with the ballot language.

Public Comments

Mordecai, Mohammed

Delton, Carol

Discussed

F. New Business

17-0628**Report - Impact of Charter Schools on District Finances**

A Report to the Audit Committee from staff regarding the impact approved Charter Schools operating are having on District finances, specifically what those impacts have been and are projected to be.

Vernon Hal made the staff presentation.

Impact approved Charter Schools are having on District finances.

- *A loss of about \$12,400 per Average Daily Attendance (ADA)*
- *\$116 Million in loss Lottery revenues and LCFF funding*
- *District receives from Charter Schools around \$2 million from lease revenues under Prop 39 agreements*
- *District receives a 1% administrative fee from Charter Schools*
- *Charter Schools who participate in the District's SELPA pay their pro rata share of the District's SELPA contribution for Special Education services.*

Chairperson Lindheim asked if the ADA comes to the District first and the District sends it to the Charter School?

Hal said it goes directly to the Charter Schools.

Committee Member Hansen asked what assurances does the District have IEP's are being implemented in Charter Schools?

Hal said he would have to follow-up on that question.

Committee Member Tsai asked about school improvements using bonds and does any of the improvements affect the Charter Schools?

Hal said bond funds have been used to make renovations on District schools, later on some of those schools may be occupied by a charter school.

Chairperson Lindheim asked if the District is required to make bond renovations on schools currently occupied by Charter Schools?

Hal the District's obligation is to provide Charter Schools space. Sometime providing space means providing classrooms at different schools. He said it make sense to renovate the space and house the charter school versus co-occupying several school sites.

Public Comments

Mordecai, Mohammed

Davis, Kim

Delton, Carol

Discussed

G. Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the Committee

[17-0621](#)

Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the Audit Committee - April 3, 2017.

Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the Audit Committee - March 3, 2017.

Public Comments

Davis, Kim

Delton, Carol

Mordecai, Mohammed

Presentation/Acknowledgment Made

H. Introduction of New Legislative Matter

None.

I. Adjournment

Chairperson Lindheim adjourned the meeting at 7:42 P.M.

Prepared By: _____

Approved By: _____