



OAKLAND UNIFIED
SCHOOL DISTRICT

expect **Success**

**A Case for
Fiscal Sustainability
2008-2013**



Proposed Long-Term Financial Goals

- Increase required Reserve for Economic Uncertainty from 2% to 3%
- Pay off District long-term debt: COPs
- Accelerate State Loan pay-off by dedicating an additional \$5 million a year to the \$5 million required annual loan payment
- Reserve \$6 to \$10 Million a year for employee compensation
- Set-aside \$7 to \$9 million a year for innovative programs for schools (categorical funds can be used for these programs)



Essential Financial Principle is Maintaining an Adequate Ending Fund Balance

Some specific challenges causing the District financial distress include:

- Extremely weak state revenue forecast; no cost of living (COLA) increase for the next two years. Ongoing operational costs continue to increase.
- Special Education encroachment increase of \$3.5 million.
- 21 schools that are currently over budget for a deficit of \$1,576,096.
- A TIIG subsidy to 57 small schools in an amount of \$2,725,455.



Enrollment Target for Financial Viability

Enrollment Target is 300. This is based on an analysis of school site budgets, which shows that schools below 300 have difficulty operating with just the student-generated base revenues and require subsidies.

- 40 District schools are currently under 300
 - Includes 5 schools in the last year of phase out
- 24 schools approximately 20% below target
- 1 school approximately 30% below target
- 1 school approximately 40% below target
- 9 schools approximately 60% below target



Strategies to Increase the Fund Balance and Assure Fiscal Sustainability

1. Enrollment stabilization; reversal of declining enrollment. Active recruitment of students.
2. Transfer of General Purpose expenditures to Categorical expenditures wherever possible. (Beware of compliance issue risk).
3. One-time state categorical fund flexibility transfer. Could provide the District with over \$8 million in one-time revenue to General Purpose fund (will need “urgency legislation” from State Representative).
4. Lease-Lease back property negotiation. Could provide the District with annual revenue stream.



Strategies to Increase the Fund Balance and Assure Fiscal Sustainability (continued)

5. Reduce the number of under-enrolled schools, or find other innovative ways to reduce the subsidized costs of these schools.
6. Significant Increase in Average Daily Attendance (ADA). A 1% increase would provide the district with \$2.15 million of additional revenue.
7. Redistribution of retiree benefits over all General Fund programs. A savings of \$200,000 to the General Purpose fund.
8. Mega-Item transfers. A potential savings of over \$700,000.



Strategies to Increase the Fund Balance and Assure Fiscal Sustainability (continued)

9. Continue implementing expenditure cuts at schools and central office each year.
10. Manage charter school portfolio to assure only successful, well-managed schools are approved for continuation.
11. Decrease utilities usage at all sites and central office to generate savings, e.g., consider closing central office during winter and spring breaks with employees taking vacation time.



Board Decision-Making Process to Assure Fiscal Sustainability

- Establish policy and priorities
- Continue current reform directions or determine new directions
- Develop budget to support priorities and directions



Setting Priorities

Closure of under-enrolled schools was pursued under the District's Financial Sustainability Plan as just one of several strategies providing for the district's continued fiscal health.

Continuing to support the current number of District schools results in:

- Funding subsidies to under-enrolled schools
- Continued expenditure cuts at schools and central office
- No funds for Board initiatives or new programs
- No funds for future employee compensation



Board Decision-Making Process to Assure Fiscal Sustainability

- Discuss proposed financial sustainability strategies to address the District's long-term financial goals and priorities.
- Does the Board wish to consider school merger/closure as one of the strategies to address the District's ongoing fiscal health?



Board Decision-Making Process

- The District has a current criteria and process for school closure in School Portfolio Management.
- The District presented additional criteria for community input and consideration.
- The District commissioned a study by Stanford University on the District's new small schools.



Current Process: School Portfolio Management

School Portfolio Management: Managing the Success and Quality of Schools

Every family will have access to at least two quality school options in their neighborhood, and the ability to select from a diverse range of educational options throughout Oakland

Quality

Enrollment / Capacity

**Programmatic
Diversity**

OUSD is continually managing its dynamic portfolio of schools across these three dimensions

SUPPLY

**High quality and
diverse educational
options**

DEMAND



Proposed School Analysis Criteria

Using the criteria, the schools identified most often according to the criteria will make up the school analysis school list. Currently, the criteria are not weighted.

Academic	Overall Tier	Schools whose overall test score performance is Red, Orange or Yellow (the three lower tiers of OUSD's five-tier ranking system)
	Lack of Student Growth	Schools experiencing a lack of student test score growth over the past three 3 years.
	Lack of Closing Achievement Gap	Schools exhibiting a lack of progress in closing the achievement gap.
Enrollment	Enrollment	Schools with 08-09 enrollment projections under the 300 cut off.
	Low # of Residents	Schools in which the # of current residents in the school's attendance area is low (under 300).
	Future Decline Anticipated	Schools that are located in significantly declining HS attendance areas based on the 2007 long-term projections research report.
Facilities	Facilities Condition/Age	Schools with facilities in poor condition, and that require extensive modernization.
	Facilities with Limited Capacity	Schools with facilities capacities under cutoff. Facilities capacity is based on the Facilities Utilization formula. Shared campuses and sites temporarily relocated will be taken into consideration as exceptions.
	Facilities Under-Utilized	Schools whose projected enrollment is significantly under the space available at the site (under 80% full). The size of a school's SDC population is taken into consideration.
Equity	Low % of Free/Reduced	Schools with the lowest % of Free/Reduced Lunch population.
	Low % of African American students	Schools with the lowest populations of African American students (since many of the school closure considerations in the past have been schools with significant AA populations).

Proposed Changes to the Criteria Based on Community Feedback

- Weight academic performance more heavily
- Eliminate criteria of low # of residents
- Eliminate criteria of future anticipated decline in enrollment
- Eliminate criteria of facilities condition and age

The complete summary of the feedback can be found at <http://webportal.ousd.k12.ca.us/>



Board Action

Recommendation based on community feedback:

- Provide a continuous monitoring process of under-enrolled schools using the existing School Portfolio Management process; add consideration of enrollment, financial viability and equity to the academic considerations already included in the process.

