

# 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, February 6, 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 ឬត្រូវការការជួយសម្រេចសម្រួលយ៉ាងសមរម្យមួយ ដើម្បីចូលរួមក្នុងកិច្ចប្រជុំសាធារណៈ ត្រូវផ្តល់ដំណឹងទៅកាន់ទីការិយាល័យនៃក្រុមប្រឹក្សាអប់រំ ឱ្យបានចិតសិចពី (72) ម៉ោងមុនកិច្ចប្រជុំ តាមរយៈទូរស័ព្ទលេខ (510) 879-8199 ឬតាមរយៈអ៊ីមែល boe@ousd.org ឬទូរស័ព្ទ eTTY/TDD លេខ (510) 879-2300 ឬទូរសារលេខ (510) 879-2299។

الامتثال لفانون الأمريكيين ذوي الإعاقات (ADA) وتوفير الخدمات اللغوية

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**A. Call to Order**

*Chairperson Dan Lindheim called the meeting to order at 6:01 P.M.*

**B. Roll Call**

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

**C. Election of Officers**

**17-0251 Nomination(s), Chair, Audit Committee**

Acceptance of Nomination(s) from the membership for the position of Chair, Audit Committee - 2017 Term.

*Chairperson Dan Lindheim opened the nomination for Chairperson.*

*Vice Chair Gregory Redmond Dan Lindheim.*

*There were no other nominations.*

*Chairperson Lindheim closed the nominations.*

**17-0252 Election of Chair, Audit Committee - 2017 Term**

Shall [Nominee] be elected Chair, Audit Committee - 2017 Term?

**Dan Lindheim was elected, by his colleagues, Chairperson, Audit Committee, for the 2017 Term by the following vote:**

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

Non-voting: 0

Enactment No: 17-0171

**17-0253 Nomination(s), Vice Chair, Audit Committee**

Acceptance of Nomination(s) from the membership for the position of Vice Chair, Audit Committee - 2017 Term.

*Chairperson Dan Lindheim opened the nomination for Vice Chairperson.*

*Vice Chair Gregory Redmond nominated himself.*

*There were no other nominations.*

*Chairperson Lindheim closed the nominations.*

**17-0254 Election of Vice Chair, Audit Committee - 2017 Term**

Shall [Nominee] be elected Vice Chair, Audit Committee - 2017 Term?

**Gregory Redmond was elected, by his colleagues, Vice Chairperson, Audit Committee, for the 2017 Term by the following vote:**

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

Non-voting: 0

Enactment No: 17-0172

**17-0255 Nomination(s), Secretary, Audit Committee - 2017 Term**

Acceptance of Nomination(s) from the membership for the position of Secretary, Audit Committee - 2017 Term.

*Chairperson Dan Lindheim opened the nomination for Secretary.*

*Vice Chair Gregory Redmond nominated Beverly Hansen.*

*There were no other nominations.*

*Chairperson Lindheim closed the nominations.*

**17-0256 Election of Secretary, Audit Committee - 2017 Term**

Shall [Nominee] be elected Secretary, Audit Committee - 2017 Term?

**Beverly Hansen was elected, by her colleagues, Secretary, Audit Committee, for the 2017 Term by the following vote:**

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

Non-voting: 0

Enactment No: 17-0173

**D. Speaker Request Cards/Modification(s) To Agenda**

*None*

**E. Adoption of Committee Minutes**

 **17-0031 Minutes - Audit Committee - November 7, 2016**

Approval by the Audit Committee of its Regular Meeting Minutes of November 7, 2016.

**Attachments:** [17-0031 Minutes - Audit Committee - November 7, 2016](#)

**A motion was made by Secretary Hansen, seconded by Vice Chairperson Redmond that the November 7, 2016, Audit Committee 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: 17-0264

 [17-0249](#) **Minutes - Audit Committee - December 5, 2016**

Approval by the Audit Committee of its Regular Meeting Minutes of December 5, 2016.

**Attachments:** [17-0249 Minutes - Audit Committee - December 5, 2016](#)

**Postponed to a Date Certain**

 [17-0250](#) **Minutes - Audit Committee - January 9, 2017**

Approval by the Audit Committee of its Regular Meeting Minutes of January 9, 2017.

**Attachments:** [17-0250 Minutes - Audit Committee - January 9, 2017](#)

**A motion was made by Secretary Hansen, seconded by Vice Chairperson Redmond that the January 9, 2017, Audit Committee 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: 17-0265

## **G. 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 a possible Qualified 2nd Interim Report (March, 2015) for current Fiscal Year 2016-17.

*Gloria Gamblin, Interim Chief Financial Officer, made the staff presentation.*

*Chairperson Lindheim asked about any changes in the purported \$3 million deficit since there had been three subsequent Board Meetings since the January presentation.*

Gamblin said the Board had discussions about possible cuts on January 18th and January 25th.

Lindheim requested Gamblin separate 2016/2017 from 2017/2018 when discussing the cuts.

Gamblin said she would defer to Vernon Hal for the 2016/2017 update.

Before beginning his presentation, Vernon Hal, Senior Business Officer, stated for the current fiscal year and next year there is not a \$30 million dollar deficit. Hal began the presentation with the Closing of the Books for 2015/2016.

Hal cautioned:

- The District historically had a higher reserve, but that had been set aside for audit findings, etc. The District is starting the year with only a 2% reserve. Hal said this is not a good place to be.
- Local Control Funding Formula Funding(LCFF) has gone up \$30-\$40 million dollars every year for the last few years. For the current year the District is at 96% of the full funding. Once full funding is reached, the District will only receive cost of living increases.
- At the First Interim Report the District made adjustments for Early Childhood and Nutrition Services. Later in the process, the Special Education Department expressed their need for additional support. This request is addressed in the Second Interim Report.
- With only a 2% reserve and Special Education possibly needing additional resources, Hal said he recommended a "Limited Spending Protocol" for Unrestricted Funds at school sites and central office, exclusive of Supplemental Concentration Funds.
- There is a process for staff to appeal the Limited Spending Protocol through the appeals process. If administration feels the appeal is needed to continue operations, those expenditures will be approved. The Limited Spending Protocol includes purchases of goods and vacant positions. The exception for that would be essential positions at school sites.
- The goal of the District is to realize \$8-\$11 million dollars through the Limited Spending Protocol; increase the reserves from 2% to 3% and possibly 4%; taking care of the additional investment needed for Special Education in the current year (anticipated \$5-\$6 million over and above their budget at budget adoption). The Limited Spending Protocol will continue to be reviewed for controls on purchase orders and not hiring certain vacant position through the remainder of this fiscal year.

Committee Member Tsai wanted to know what caused the demand for Special Education services?

Hal said perhaps a new set of eyes looking at the same problem. He said at budget adoption, there was an aggressive assumption made in terms of reducing some costs in contracted areas. The Special Education budget is typically three buckets (people costs, contracted costs and non-public schools and non-public agency costs). The thought was to take the contracted cost budget, reduce it and put those savings into people. For example, rather than having contracted nurses, the District can teach its own staff to perform certain things and will not need the contracted nurses, just give its staff a stipend. The costs started around \$1 million and the final number was \$5 million. With a new set of eyes and more information, the non-public school costs were running at a rate higher than anticipated and the number of students was down, but the cost per student was up. Anticipating the need to invest another \$5-\$6 million after developing the budget, you have

to make mid-year adjustments.

- Every 1% in reserves for uncertainty equals \$5 million dollars. Special Education will be address in the 2017/2018 year. The District will try to get the additional resources needed this year out of the Spending Limitation Protocol for Special Education. There are some one-time transition cost for the District financial system changing from IFAS to Escape.
- Average Daily Attendance (ADA) for the current year is lower. District had projected an increase in ADA in the current year, but it is lower. The State allows you use the higher number of the current year or the prior year.
- Concerned about Prop 55 which is similar to Prop 30, no new money but to continue with existing resources.

Anticipating the need to invest another \$5-\$6 million dollars after developing the budget, you have to make some mid-year adjustments.

Hal gave two suggestions on how to achieve the additional \$5-\$6 million dollars.

- Freeze (Limited Spending Protocol)
  - 2nd semester revision after the 20th day count
- Hal said his recommendation was for a Limited Spending Protocol. He said this was a way to manage funds and not to hope for them. He said there will be periodic checks.

Ways to control spending

- Purchasing Department not turning Requisitions into Purchase Orders
- Talent Department not filling certain vacant positions for the remainder of the school year

Hal said the District is trying increase its reserves by (\$5 million); Special Education by (\$5-\$6 million) Escape (\$1 million plus). The District anticipated higher ADA revenue this school year. After the 20th day count to determine staffing needs for schools, ADA was down by 400-500 students. The District not only did not meet its expected ADA, it loss ADA.

Hal said there will be an Enrollment presentation at Wednesday's Board Meeting. He said when there's a drop in ADA, the State allows the District to use the higher ADA of the current year or the prior year. The District will use last year's ADA for the reminder of the year because it is higher than this year's ADA.

Lindheim said if the District has lower enrollment than projected for the current year, much of the enrollment could be dealt with having fewer teachers and staff, noting to do so the District must act by March 15th.

Hal said the District should have consolidated about 42 full time teaching positions (FTE) due to the number of students. The Superintendent made a decision for only six (6) consolidations. The extra teachers are still in the system. Because we used the prior year's ADA, there were the resources to pay for the additional teachers this year, but not next year.

2017/2018 – What would systems need to look to be successful for students?

- Not invest in some of the things we are investing in now. It is not a deficit, but a prioritization issue.
- \$10 million dollars to increase the reserve for uncertainties.
- Cuts at school sites - \$4.5 million.

- o Consolidating schools on shared campuses
- o Changing the allocation formula for Assistant Principals and extra classified support
- Revenues for 2017/2018 are flat
- Governor's budget contained no additional Gap Funding
- o Part of the \$25 million included a \$1.6 million increase in Supplemental Concentration funds
- o STRS and PERS are projected to increase next year about 15%-17% without additional revenues to absorb the increase. That had to be added to the list of thing to be funded (about \$4 million)
- o \$25 million becomes \$27.5 million
- o District decide what it has to do versus what it wants to do
- \$27.5 was broken into two buckets - \$14.5 million have to bucket and \$13 million want to bucket
- Want 3% to 4% reserve (\$10 million)
- Additional investment of \$2.5 million for other investments
- \$1 million for Measure G funds to charter schools
- How will the District make cuts for this?
- o Looking at this year's budget, 36 FTE's with no kids for – next year the FTE's will go away (\$3.2 million)
- o Anticipate lower enrollment – another \$2.3 million for a total \$5.5 million of the \$14 million
- o Enrollment adjustment - fewer teachers and materials needed due to less students – (\$5.5 million)
- o Central office reductions - \$4 million in staff, \$3.2 in management, \$800,000 in support, \$4 million in services and \$500,000 in supplies (\$8.5million)
- o District doesn't believe there is the need to issue March 15th notices to teachers because of attrition

Committee Member Beverly Hansen asked if the extra teachers this year were K-12 teachers? Would there be any imbalance this year?

Hal said the enrollment issue was more K-5 and a little in middle schools.

Lindheim asked was that drop in enrollment due to people leaving Oakland or to charter schools?

Hal said a little of both. He said the District surveyed 90 families who left the District and the results varied:

- Charter schools
- Unhappy with District programs
- Unable to keep all children in the same school
- Left the area due to the high cost of rent in the City of Oakland

The District has hired staff to assist with enrollment projections for the next year or two.

Hansen asked about the amount of money public schools loses to charter schools? She also asked about the process for Special Education, out of state placement and over identification of Special Education Students.

Hal said Special Education over identification is a serious issue for the District. He talked about identifying a service rather than a specific vendor. Busing or not? Other supports outside the regular classroom other than Special Education? When students are identified for Special Education placement from the Regular Education program, a lot of funds are used out of the General Education budget.



Hal said he was not sure of the exact amount the District loses to charter schools. He said not all District authorized charter schools are filled with District students, some students live outside Oakland. Hal said he will follow-up with the numbers.

Tsai asked if the Special Education enrollment is in a decline?

Hal said slightly. The non-public school numbers have decreased, but the cost per pupil is rising.

Tsai asked if the cost saving efforts in this year's budget actually resulted in any savings?

Hal said some, but not as much as the District had anticipated.

Tsai talked about declining enrollment and the need for fewer facilities. He asked Hal had the District calculated what the savings would be by reducing the number of facilities it operates?

Hal said the Board and former Superintendent Wilson recognized the District operates too many schools and buildings for the number of children it serves. He said staff was directed to address the portfolio of schools for the 2017/2018 school year with anticipation of possible action in the 2018/2019 school year. That conversation will involve schools, community leaders, etc. Hal noted charter schools do share space on some District school campuses.

TSAI said some of the schools that could be closed are being renovated and had they been closed. He said the District could have spent the funds on making more improvements on its remaining schools.

Hal said Tasi was correct. If the District had decided to close some schools, there would be fewer renovations to make. He said he believes the intent of the Board is to improve the academic program thus more students will want to attend District schools. The District is not selling any of its properties. Hal acknowledged operating a lot of small schools is costly.

Lindheim asked about budgeting for additional Special Education increases for 2017/2018?

Hal said about \$2-\$3 million more has been budgeted for.

Lindheim asked about charter schools not paying their fair share for Special Education costs.

Hal said there are charter schools who participate in the SELPA Special Education. He said next year that number will be down to one or none. Hal said the contribution got to be about \$900 per student for some charter schools and said he heard some charter schools were not satisfied with the services they received. This resulted in some moving to the Eldorado Model, and a lot don't serve severely handicapped students. Hal said there are different rules.

Lindheim asked Hal to comment on the County Superintendent changing the 1st Interim Report classification.

Hal said the District is current with its financial audits. He said the submission of the 2nd Interim was the first time a "Positive" certification was issued in 12 years. At the 1st Interim this year there was a concern about the \$30 million dollars. The District assured the County Superintendent there was no \$30 million deficit, but cuts had to be made. He said there was a concern from the County if the Board was committed to making the reductions.

*The letter talks about lower ADA, Special Education, etc.*

*Lindheim asked about the 2nd Interim Report. Said he heard the County Superintendent said the District had not yet identified the cuts. He said now the cuts have been identified, will the District make them? Will the certification be "Postive"?*

*Hal said he anticipated the District will receive a "Positive" certification for the 2nd interim report. A 3rd Interim Report is necessary because the 1st Interim was issued a "Qualified" certification.*

**Discussed**

## H. New Business

### 17-0247

#### **Progress Report - Chief Financial Officer - Fund 76 - Payroll Warrant Pass-Through Fund**

A Report from the Chief Financial Officer or designee regarding the reconciliation of Fund 76 - Payroll Warrant Pass-Through Fund

*Daniel Menyon, Controller, talked about the three pending audits.*

- 1. ERATE – Draft is complete. There are findings and more details will be provided to Audit Committee when the audit is issued*
- 2. Measure G and Measure N – Testing a few items. Will report to Audit Committee when the audit is issued*
- 3. Measures B and J – Audit complete, no findings. Will report to Audit Committee when the audit is issued*

#### *Fund 76*

*In the past, there was a large amount in Fund 76. That has been cleaned up and put into the General Fund and is being reconciled on a monthly basis. The auditor said the reconciliation is not being done satisfactorily, they want to be able to sign off on the report.*

*Problems: IFAS related. There are some liability accounts in Fund 76 that need to be correctly set-up. Some accounts were set-up in IFAS and payments were being made under different numbers. Staff has to make the payments to the proper account. Fund 76 has been reconciled as of December 31, 2016. Currently working on January 2017 reconciliation report.*

*Lindheim said the Auditors expressed a level of unhappiness about what was taking place and hoped for more progress thus far. He asked if what Menyon reported today will make the Auditors happy?*

*Menyon said "yes", they were speaking as of June 30, 2016. Menyon said one recommendation is to bring the Auditors in and give them the monthly reconciliations to sign-off on. He said the District has four months to close the books so when the audit work begins, staff has the opportunity to make any necessary corrections.*


*TSAI asked if the monthly closing a part of the month end close or is it separate?*

*Menyon said the District does not prepare a month end closing statement, but some districts do. The District does a monthly reconciliation report for cash, payroll, receivables and Fund 76.*

*TSAI asked how soon after June 30th does it take to close the books?*

Menyon said the statutory deadline for closing the books and submitting that report to Alameda County Office of Education is September 15th of each year.

**Discussed**

 **17-0258 District Pension Costs - STRS and PERS**

A discussion by the Audit Committee of the purported possible increase in District pension costs - State Teachers Retirement System (STRS)\* and Public Employees Retirement System (PERS)\*\* and potential impact/solutions for said costs to District.

\_\_\_\_\_  
\*Certificated Personnel

\*\*Classified Personnel

**Attachments:** 17-0258 District Pension Costs - STRS and PERS

Vernon Hal said he thinks the rate increase will be about 15%-17%, perhaps as much as 18%-23%. He said when the Governor released the State budget, the District realized it would not receive funds to cover the increase. The District had expected \$4 million unrestricted programs, cuts will have to be made to absorb the increase.

**Discussed**

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

[17-0248](#) **Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the Audit Committee - February 6, 2017.**

Public Comments on All Non-Agenda Items Within the Subject Matter Jurisdiction of the Audit Committee - February 6, 2017.

**J. Introduction of New Legislative Matter**

None.

**K. Adjournment**

Chairperson Lindheim adjourned the meeting at 7:21 P.M.

Prepared By: \_\_\_\_\_

Approved By: \_\_\_\_\_