

## OFFICE OF THE SUPERINTENDENT

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**TITLE:** Budget Update: Restraints Needed for Fiscal Vitality and Stability

**FROM:** Gloria Gamblin, Interim Chief Financial Officer

**TO:** School and Central Office Administrators

**DATE:** September 29, 2017

**PURPOSE:** 2017-18 Budget Status and Next Steps

### BACKGROUND

Last year was a tough year that required difficult financial decisions across the District. The critical nature of our financial situation required us to make decisions to balance the budget well beyond the budget development timeline. The 2016-17 [Closing of the Books](#) presentation to the Board of Education on September 13 showed that deficit spending in 2016-17 exceeded previously expected levels and we were only able to get back to the state-required 2% reserve, and avoid state receivership, for the 2017-18 school year by using some 2017-18 one time money from the state.

With our margin for error so slim this year, the County of Alameda has not approved our 2017-18 District budget. The county has indicated that the Board needs to take action before first interim in December to demonstrate that it is making further reductions to the 17-18 budget.

Much work remains to regain our 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.

### CURRENT STATUS

This year, our primary focus is fiscal vitality. Together, we must build better spending and budget monitoring practices to put OUSD on solid financial ground for the future.

Initially, all central departments and school sites are asked to establish a culture of savings and start with the steps listed below. Further cost saving measures will be introduced later this month.

### Policy and Practice Changes

- I. **Initial 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 this form](#))

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- 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 this form.**)
- C. Limit spending on supplies.
- D. Hiring Freeze (see [hiring freeze memo and appeal form](#) for more details).

### II. Contracts

- A. All administrators should work to **limit or cancel spending** on service contracts which must be in line with our board policy. This means that no work should start on any contract prior to formal approval. Please submit any outstanding contracts as soon as possible for approval by staff or board (see policy) or contract risks no payment or late payment.

### III. Tighter Purchasing Procedures - (See Board Policy 3310 and [memo](#) on procedures for reference)

- A. Purchase Orders required for all transactions and prior to; reimbursements for required travel, conferences, professional development, supplies, and mileage.
- B. Blanket Purchase Orders only allowed for district-wide books and instructional materials.
- C. Details of the purchases 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).

### IV. Budgeting for planned expenses

With support of financial analysts, Central Department Leads and School Administrators must review, analyze, project costs and identify budget sources to complete budget transfers for the following expenditure types by October 30<sup>th</sup>

- A. Extended Contracts,
- B. Overtime/Extra Time,
- C. Reimbursements,
- D. Mandatory Conferences,
- E. Substitutes costs.

## NEXT STEPS

### Oversight and Accountability

The following additional efforts to review spending and prevent overages will be ongoing.

- I. Monthly review of central departments' and school sites' budgets-to-actuals and burn rate reports with the Superintendent, Interim Chief Financial Officer, Senior Deputy of Continuous School Improvement and Schools to identify any early warnings of potential overspending.

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- II. Review Collective Bargaining Agreements to ensure budget allocations support all requirements.
- III. Review and comply with Board Policies, such as Memorandum of Understanding (MOU), Contracts, Reimbursements, Donations and hiring.
- IV. Activate Budget Blocking to prevent expenses from exceeding the budgetary allocation.
- V. Review of the Teacher Over-Hire Pool account and verify budget.
- VI. Review of the Long-Term Substitute Pool account and verify budget.

### **ASSISTANCE**

Fiscal vitality requires tough choices and working together. If you have questions about action items or activities, please reach out to your fiscal analyst. If you have suggestions or recommendations that will result in slowing down spending or generating revenue, please share with your Department Lead, Chief, or your Network Superintendent.

Separately, we are preparing to launch periodic budget updates to both share information and provide opportunity for feedback.

### **ATTACHMENTS**

Board Policy 3310

[New Procedures for Purchasing and Accounts Payable](#)