

DRAFT: OUSD Long-term Financial Planning Policy

I. Authority:

Board of Education is responsible for legislation, policy formulation, and overall direction setting of the Oakland Unified School District. This includes the approval of financial policies which establish and direct the operation of Oakland Unified School District. The Superintendent is responsible for carrying out the policy directives of the Board of Education and manage the day-to-day operations of the executive departments, including the Department of Financial Services. This policy shall be administered on behalf of the Superintendent by the Chief Financial Officer.

Purpose:

The purpose of this policy is to ensure the District's ongoing financial sustainability beyond a single fiscal budget cycle in light of our long-term vision and objectives. Financial sustainability is defined as the District's long-term financial performance and positioning where service and infrastructure levels and standards are met without unplanned and destructive cuts to services. This policy is intended to describe particular elements or aspect of such long-term planning programs within the District.

Applicability and Scope:

This policy is applicable to all funds with a minimum reserve requirement set by official action of the Board of Directors.

Definitions:

1. **Business plan**— operational plan that describes how given department will accomplish its mission
2. **Capital Improvement plan** - a plan that describes the capital projects and Associated funding sources the District intends to undertake and the current year plus five additional future years including the acquisition or construction of capital facilities and assets and the maintenance thereof
3. **Program** - A set of activities, operations, or organizational units designed and directed to accomplish a specific service outcomes or objectives.

Policy:

1. **Commitment to long-term planning** — Long-term financial planning includes various actions intended to evaluate and address known and potential internal and external issues and opportunities impacting the District's current and future financial condition. Such issues and opportunities are identified, presented, and addressed when and where

possible. The collective actions that encompass long-term financial planning are intended to help the District achieve the following:

- a. Ensure the the District can attain and maintain financial sustainability;
- b. Ensure that the District has sufficient long-term information to guide financial decision
- c. Ensure that the District has sufficient resources to provide Programs and services to all stakeholders;
- d. Ensure potential risks to ongoing operations are identified-and communicated on a regular basis;
- e. Establish mechanisms to identify early warning indicators, and
- f. Identify changes in expenditure or revenue structures needed to deliver services meet the goals adopted by the board of commissioners

2. **Scope of Long-Term Planning**

- a. **Time horizon**– Revenues, expenditures, and financial position will be forecast at least five years into the future or longer were specific issues call for longer time horizon.
- b. **Comprehensive analysis**–Meaningful analysis of key trends and conditions will take place as part of the normal operating and budgeting cycle, including but not limited to:
 - i. Analysis of the affordability of current services, projects, and obligations:
 1. An analysis of the District’s environment in order to anticipate changes that could impact the District’s service and/or financial objectives.
 2. Analysis of historical trends of District revenues and expenditures in order to better forecast the long-term financial position the District.
 3. Revenue and expenditure projections, including financial sustainability of current service levels over a multiyear period.
 4. Affordability of current debt relative to affordability ratios prescribed the District policy and or state law
 5. The affordability of maintaining and replacing the District’s current capital assets.
 6. The ability to maintain reserves within the target range prescribed the the State and District policy over a multiyear period.
 7. The impact of non-current liabilities on the District’s financial position
 - ii. Analysis of the affordability of anticipated service expansions or investments in new assets:

1. The operating costs of any new initiatives, projects, or expansion of services where funding has been identified alternative sources (CIP, grants, debt issuance, etc.) or adopted or approved by the Board of Education through other actions. Service delivery of administrative services and function shall be included to the extent needed proportionately with the expansion of other services.
 2. The affordability of the District's long-term CIP, including operating and maintenance maintenance costs for new assets.
 3. The affordability of other master plans that call for significant financial investment by the District.
- iii. Synthesis of the above to present the District's financial position
1. A clear presentation of the resources needed to accomplish the capital improvements identified in the District's CIP and to maintain the existing capital assets
 2. A clear presentation of the resources needed to maintain existing services at the present level in addition to the expansion of services has may have been identified the analysis described above
 3. Identification of imbalances between the District's current district direction and the conditions needed for continued physical health
- c. **Solutions oriented** – Through long-term financial planning, the District may identify issues that may challenge the continued financial health of the District, and will identify possible solutions for those issues. Planning decisions shall be made primarily from the long-term perspective and structural balance is the goal of the planning process. For the purpose of this policy, structural balance means that ending fund balance (or working capital in enterprise funds) must meet the minimum levels prescribed the District reserve policy.
3. **Continuous improvement**—District staff will regularly look for and implement opportunities to improve the quality of forecasting, analysis, and strategy development that is part of the planning process. These improvements will primarily be identified through the comparison of projected performance with actual results.
 4. **Structural balance**—Long-term structural balance is the goal of long-term financial planning at the District. Should the long-term forecasting and analysis show the District

is not structurally balanced over the five-year projection period; staff would then make recommendations, for the Board of Education's consideration, on how the plan can be brought into balance.

5. **Non-current liabilities**—The LTFP will address strategies for ensuring at the District's long-term liabilities remained affordable. The Board of Education supports efforts to ensure that critical long-term liabilities like debt service, asset maintenance, pensions and other postemployment benefits remain affordable.

Quality control and quality assurance

It is the responsibility of the Chief Financial Officer to ensure the presence of procedures that provide sufficient guidance to the affected District personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and an as needed basis.