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every student. every classroom. every day.

Memo

To Board of Education

From Dr. Anthony Smith, Superintendent
Vernon Hal, Deputy Superintendent of Business & Operations

Board Meeting Date August 11, 2010

Subject Policy Type - Operational Expectation (OE) - 07 - Financial Planning

Action Requested Adoption by the Board of Education Monitoring Report for Policy Type - Operational Expectation (OE) - 07 - Financial Planning.

Discussion Review of the monitoring report OE-7 - Financial Planning.

Recommendation Adoption by the Board of Education Monitoring Report for Policy Type - Operational Expectation (OE) - 07 - Financial Planning.

Attachments

- Operational Expectation (OE) - 07 - Financial Planning

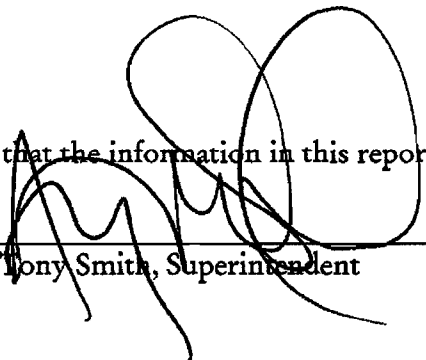


OAKLAND UNIFIED
SCHOOL DISTRICT

expect Success

OPERATIONAL EXPECTATIONS 7 Financial Planning

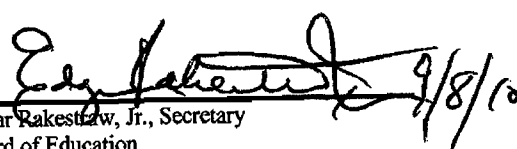
I certify that the information in this report is true.

Signed:  Date: _____
Tony Smith, Superintendent

Disposition of the Board

☐ Compliance
☐ Not in compliance

Signed:  Date: 9/8/10
Dr. Gary Yee, Board President

 9/8/10
Edgar Rakestaw, Jr., Secretary
Board of Education

OE 7: Financial Planning	CEO			Board		
	Compliance	Not in compliance	To Be Completed	Compliance	Not in compliance	To Be Completed
7.1 – The Superintendent will establish an annual budget that is developed in accordance with a publicly noticed Budget Development Process and Calendar.	X					
<p>Superintendent Interpretation: The Superintendent and staff interpret this to mean that the development of a budget development process approved by the Board which may include town hall meetings, special board meetings, budget work sessions, and other opportunities for community involvement. As a result, a budget development calendar will be created and made available to the public.</p>						
<p>Superintendent Indicators and Evidence of Compliance: Evidence of compliance will be the Board approved district wide Budget Development Calendar.</p> <p>The district is in compliance. The Board of Education (BOE) 2010-11 Budget Development Calendar was presented to the BOE on 8/31/2010 and 10/19/2010. There were 14 Key Outcomes/Decisions in the BOE Budget Decision Making Timeline to develop the fiscal year 2010-11 OUSD Budget. A Summary of the Key Outcomes are: Fiscal Solvency Challenges, 2010-2011 Strategic Budget Priorities, 2010-11 Academic & Fiscal Solvency Plan; School Portfolio Management recommendations; Personnel Reductions (Classified and Certificated); 2009-2010 Interim Budget Reports (1st, 2nd, 3rd), 2010-11 Budget Proposal, and 2010-2011 Budget Adoption.</p> <p>A detailed 11-Month Calendar for Academic and Fiscal Solvency with deliverables by stakeholder responsibilities was presented. The following events occurred as part of the 2010-2011 Budget Development Process:</p> <p>Town Hall Meetings: 9/30/2009, 11/11/2009, 11/17/2009, 12/1/2009, 12/3/2009, 12/9/2009, 12/14/2009, 12/15/2009, 1/9/2010, 1/11/2010, 1/12/2010, 1/19/2010, 1/28/2010, 1/30/2010</p> <p>Budget Work Sessions: 10/5/2009, 10/24/2009</p> <p>Special Board Meetings: 11/14/2009, 11/30/2009, 12/9/2009, 6/29/2010</p>						

OE 7: Financial Planning	CEO			Board		
	Compliance	Not in compliance	To Be Completed	Compliance	Not in compliance	To Be Completed
7.2 – Discloses fundamental budget-planning assumptions	X					

Superintendent Interpretation:

The Superintendent and staff interpret this to mean that all significant assumptions are disclosed to the Board in the County's required Budget Assumption Worksheet and Criteria and Standards Report for the Adopted Budget. The assumptions will include:

- A. The Governor's May Revise which includes education-related proposals, Cost of Living Allowance (COLA) and any federal and state categorical funding
- B. Negotiated salary agreements
- C. Anticipated cost increases including but not limited to insurance and utilities
- D. Incorporation of recommendations from the District's most recent Multi-year Fiscal Sustainability Plan (MYFSP)
- E. Anticipated restricted local revenues including private donations
- F. Other significant revenue and expenditure assumptions

Superintendent Indicators and Evidence of Compliance:

The major budget assumptions noted above will be presented to the board and the public as part of the budget development process.

We are in compliance.

- A. A summary of the Governor's May Revise was presented to the Board as part of the 2010-2011 Budget Adoption Presentations on 6/9 (First Reading) and 6/29 (Final Reading). Between the First and Final Reading, extensive changes were made to incorporate the impact of drastic cuts to Early Childhood Education. As a result, OUSD made the decision to fund ECE with a combination of funding from Adult Education and Title I.

In addition, in the First Reading (6/9) and the Final Reading (6/29), Restricted Funding (state and federal) for the General Fund and all Other Funds were highlighted. The 2010-2011 Total, Restricted, and Unrestricted General Fund Budgets were presented for 1) School Sites; 2) Centrally Funded Services for Schools; 3) Centrally Funded

Site-Based Services; and 4) Central Operations.

- B. There are no new negotiated salary agreements to reflect in the Criteria and Standards Report. The 2010-2011 Adopted Budget does include a Furlough Program by OUSD non-represented senior management which represents 6-12 days of pay equivalent (pay reduction or cash donation).
- C. The 2010-2011 Adopted Budget includes increases in Unemployment Insurance as well as anticipated Step and Column and Health and Welfare increases for Certificated and Classified employees.
- D. The 2010-2011 Adopted budget incorporates the following recommendations from the 2009-2011 MYFSP adopted 1/28/09 and amended 6/24/09:
 - 1. Maintaining the focus of funding going to school sites. (The 2010-2011 Budget Adoption includes only a 4.5% reduction to school sites.
 - 2. Closing schools in order to address declining enrollment and to optimize the District's portfolio of schools. OUSD closed 4 schools at the end of fiscal year 2010.
 - 3. Results-Based Budgeting: RBB System Enhancements were implemented for the 2010-2011 Budgeting Process. RBB Support and Training and an RBB Guide was provided.
 - 4. Class Size Reductions: CSR cost analysis was completed during the RBB Planning Process and the impact of changing class size ratios was incorporated into school site funding.
- E. The 2010-2011 Adopted Budget includes all known local resources such as Measure G, E-rate, Microsoft Settlement, and any private donations that have received the appropriate review and approval.
- F. At the 6/29/10 Board Meeting, the BOE received the Budget Assumptions Worksheet and the 2010-2011 Multi-Year Projections Worksheet in the 2010-2011 Budget Packet as well as the Interfund Transfers and Contributions.

OE 7: Financial Planning		CEO			Board		
		Compliance	Not in compliance	To Be Completed	Compliance	Not in compliance	To Be Completed
7.3 – Provides all schools with guided budget development authority.		X					
Superintendent Interpretation: The Superintendent and staff interpret this to mean that the Results Based Budgeting (RBB) development process will allow the autonomy at all sites.							
Superintendent Indicators and Evidence of Compliance: Administration and distribution of an annual RBB handbook is utilized as a tool that enables the sites to make fiscally responsible decisions.							
School and Site Administrators were provided with the OUSD School Budget Handbook and the 2010 RBB Guide. RBB System and Training was provided by the RBB Technical Lead. Individual school administration sessions/meetings were held with Fiscal Services and Human Resources.							

OE 7: Financial Planning	CEO			Board		
	Compliance	Not in compliance	To Be Completed	Compliance	Not in compliance	To Be Completed
7.4 – Is presented in a design and format that allows the Board of Education and the general public to easily recognize the relationship between the budget and the strategic work priorities established to achieve the District’s Results and Operational Expectations policies.			X			
<p>Superintendent Interpretation: The Superintendent and staff interpret this to mean that the key components of the Annual Budget will be summarized and presented to the Board. The Annual Budget, as adopted, is required to be in the California State Accounting Code Structure (SACS), and is very detailed and voluminous (over 150 pages). Accordingly, the Chief Financial Officer will summarize the budget by explaining total General Fund revenues and expenditures, and its assumptions, as well as a general summary of the other main funds of the District. The relationship between the budget and the <i>Results</i> priorities and the <i>Operational Expectations</i> goals for the year will be presented to the Board by showing the following:</p> <ul style="list-style-type: none"> A. Percentage of funds allocated to the instructional program as compared to other operating expenditures B. Attendance statistics over time C. Allocation of additional revenue D. Dedicated resources to major district strategies E. Other related information 						
<p>Superintendent Indicators and Evidence of Compliance: The Superintendent and staff presented the 2010-2011 Adoption budget at 2 board meetings in June 2010 in accordance with ACOE and CDE deadlines.</p> <ul style="list-style-type: none"> A. The 2010-11 Budget Presentation on 6/9 and 6/29 outlined the total funding (Unrestricted and Restricted) allocated to School Sites (in total and by school category (Elementary, Middle, and High). The funding for centrally funded School Services, Site Based Services, Central Operations and all Other Funds was also presented. B. Attendance statistics were presented in the Finance & Human Resource Committee on 3/15/10. The 2010-2011 Budget Presentation also included an Average Daily Attendance analysis. C. The Final Reading of the 2010-2011 OUSD Adopted Budget (6/29/10) included \$122M in 						

reductions as compared 2009/2010 Expected Actuals. Any additional revenue over 2009/2010 allocations were included in resources. The Adopted Budget does include a re-prioritization of Adult Education funds to the Early Childhood Program and an allocation of Title I funds to ECE.

- D. To Be Completed. The Board will be presented with an overview of spending for major programs such as SiSwan Math, the New Teacher Project, New Teacher Support, and High Quality Teacher Compliance.
- E. Presentations were given to the BOE on 6/23 by Adult Education and Early Childhood Education (ECE) management indicating the financial, staff, site and programmatic impact of changes due to the Governor's May Revise (which drastically reduced funding for ECE) and the strategic decisions reflected in the 2010-2011 Adopted Budget.

OE 7: Financial Planning		CEO			Board		
		Compliance	Not in compliance	To Be Completed	Compliance	Not in compliance	To Be Completed
7.5 – Is presented in a design and format that allows the Board of Education and the general public to easily recognize changes in revenues, expenditures, student enrollment, student average daily attendance, and number of employee positions between the most recently completed fiscal year, the current fiscal year, and the next fiscal year.		X					
<p>Superintendent Interpretation: The Superintendent and staff interpret this to mean that there will be an easy to read comparative report in the following budget categories:</p> <ul style="list-style-type: none"> A. Revenues B. Expenditures C. Student Enrollment D. Student Average Daily Attendance E. Employee Positions 							
<p>Superintendent Indicators and Evidence of Compliance: District staff will provide the Board and the public with financial reports by the SACS major object codes that detailed projected expenditures and budgets for the most recently completed fiscal year, the current fiscal year, the budget year and the difference between the current year and budget year. Staff will developed a budget format which will provide the same information by Function categories as listed in the “Interpretation” above. Staff will focus on “Key Budget Indicators” for the Board to monitor to ensure that District financial sustainability is maintained. Explanation of significant fluctuations will be indicated.</p> <p>In addition to the data and information presented below, District staff will prepare a summary of the analysis for the following 3 years, (2009-2010, 2010-2011, and 2011-2012) that highlights changes in revenues, expenditures, student enrollment, student average daily attendance, and number of employee position (FTE).</p> <p>The OUSD 2010-2011 Budget Adoption presentation and discussions occurred during 2 board meetings: First Reading (June 9, 2010) and Final Reading (and Adoption) (June 23, 2010).</p>							

- A. The 2010-2011 Budget Presentation outlines the revenues for OUSD as follows: Base Revenue Limit per ADA (7-year Trend – unaudited actual FY 2004 thru est. FY2010) highlighting funded ADA, unfunded ADA and one-time reductions. The Restricted and Unrestricted Revenue Limit and Other revenue is highlighted for the General Fund and for all Other Funds and compares fiscal year 2009-2010 to 2010-2011. Any material revenue fluctuations are explained.
- B. In the 2010-2011 Budget Presentations, the Total Budget Expenditures by Object Codes (1000-6999) are presented in summary for the General Fund (Unrestricted and Restricted) and All Other Funds. The chart highlighted the changes from the 2010-2011 Adopted Budget to 2009/2010 3rd Interim (as of the 1st Reading); while changes from the 2010-2011 Adopted Budget to 2009/2010 Expected Actuals were highlighted as of the Final Reading. Any major expenditure fluctuations were explained.
- C. A fiscal year 2009/10 vs. 2010/11 comparison of Student Enrollment (excluding Special Day Class) was presented by School Category (Elementary, Middle, and High Schools) as part of the 2010-2011 Budget Presentation in the First and Final Reading.
- D. As part of the 2010-11 Budget Presentation, a 5-year trend of OUSD's overall Revenue Limit ADA (from fiscal year 2007 thru anticipated FY 2011), was included.
- E. The 2010-2011 Budget Presentation included a Total FTE Analysis showing 2009-2010, 2010-2011 and the net difference between the 2 years for organizations funded via the General Fund and all Other Funds. In addition, for individual school sites, Teacher FTE (Teachers excl. Prep) was presented as well as FTE by Site for Central Office Operations, Centrally-Funded School Services and Centrally-Funded Site Based Services. In addition, on April, 28, 2010, the BOE was presented a Staffing Projections Presentation highlighting the anticipated 2010-2011 FTE (Full time Equivalent) Reductions by Fund, FTE Category, Organization/Site and Program and Service Impacts.

OE 7: Financial Planning		CEO			Board		
		Compliance	Not in compliance	To Be Completed	Compliance	Not in compliance	To Be Completed
7.6 – Is presented in a design and format that allows the Board of Education and the general public to easily understand budget details for each individual school and District department.				X			
Superintendent Interpretation: The Superintendent and staff interpret this to mean budget information for each site and department will be presented to include applicable revenues by resource, expenditures by major object code, FTE's by object code, student profile and enrollment data for current and budget year and other relevant data.							
Superintendent Indicators and Evidence of Compliance: The production of a one page per site budget summary included in the district-wide booklet, produced and distributed in the fall of the budget year. The Site Budget Summary for each OUSD school is expected to be completed by September 30, 2010 for the 2010-2011 Adopted Budget.							

OE 7: Financial Planning	CEO			Board		
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7.7 – Is balanced and maintains a cash reserve for Economic Uncertainties in an amount equal to 3% of the District’s combined unrestricted and restricted General Fund revenues.		X				
<p>Superintendent Interpretation: The Superintendent and staff interpret this to mean the District will calculate the reserve for economic uncertainty based on the total general fund for unrestricted and restricted expenditures plus transfers out. Currently the required reserve is 2% but the District will seek to increase the reserve to 3% as financial conditions improve.</p>						
<p>Superintendent Indicators and Evidence of Compliance: Evidence is the percentage of balance designated for economic uncertainty noted for all reporting periods as specified in the Interims, Adopted Budget, and Unaudited Actuals.</p> <p>The current unprecedented fiscal crisis in the state of California and education resulted in the District having to cut \$122M from its budget. OUSD adopted the 2010-2011 budget with a 2% reserve for Economic Uncertainties instead of the 3% reserve for Economic Uncertainties desired by the Board.</p> <p>In the Budget Presentations to the Board and on the SACS report submissions, OUSD indicated that a 2% reserve for Economic Uncertainties had been established. The 2nd Interim package (3/10/10) presented 2008/09 reserves and 1st Interim reserves. The 3rd Interim package (5/26/10) included both 2nd and 3rd Interim reserves. The 2010/2011 Adopted Budget Presentations presented on 6/9/10 and 6/29/10 - and the SACS reports - also included a 2% reserve.</p>						

OE 7: Financial Planning		CEO			Board		
		Compliance	Not in compliance	To Be Completed	Compliance	Not in compliance	To Be Completed
7.8 - Discloses the status of the District's Self-Insurance Fund, and all short-term and long-term debt, and unfunded liabilities.		X					
Superintendent Interpretation: The Superintendent and staff interpret this to mean that the District will receive periodic reports on all self insured activities and will receive full disclosure for all District indebtedness both actual and anticipated.							
Superintendent Indicators and Evidence of Compliance: All of the District's self insured activities will be disclosed by providing reports at public Board meetings. The district will provide an Actuarial Report to identify the estimated unfunded liability for Worker's Compensation and the Post Employment Benefits other than pensions (OPEB). Evidence of this is reported in the criteria and standards review at the interim reporting periods. The SACS report submissions to the BOE included the Criteria and Standards Review on the following dates: 1st Interim (12/9/09); 2 nd Interim (3/10/10); 3 rd Interim (5/26/10) and the 2010/2011 Adopted Budget presented on 6/9/10 and 6/29/10. Worker's Compensation and the Post Employment Benefits (excluding OPEB) are analyzed on pages 16-18 in each report. An Actuarial Review of the Worker's Compensation Program dated 1/21/2010 by Bay Actuarial Consultants was used in our analyses.							