

OFFICE OF THE BOARD OF EDUCATION

1000 Broadway, Suite 680

Oakland, CA 94607-4099

ousd.org/boe | boe@ousd.org

510.879.8199 w | 510.879.2299 f | 510.879.2300 TTY/TDD



OAKLAND UNIFIED SCHOOL DISTRICT

Community Schools, Thriving Students

BOARD OF EDUCATION 2018

Aimee Eng, President, District 2

aimee.eng@ousd.org

Jumoke Hinton Hodge, Vice President, District 3

jumoke.hintonhodge@ousd.org

Jody London, District 1

jody.london@ousd.org

Nina Senn, District 4

nina.senn@ousd.org

Roseann Torres, District 5

roseann.torres@ousd.org

Shanthi Gonzales, District 6

shanthi.gonzales@ousd.org

James Harris, District 7

james.harris@ousd.org

October 24, 2018

Presiding Judge Wynne Carvill
Alameda County Superior Court
1225 Fallon Street, Department One
Oakland, California 94612

Cassie Barner c/o Alameda County Grand Jury
1401 Lakeside Drive, Suite 1104
Oakland, California 94612

File ID Number: 18-2016
Introduction Date: 10/24/18
Enactment Number: 18-1676
Enactment Date: 10/24/18
By: [Signature]

RE: Response to 2017-2018 Civil Grand Jury Report, "Oakland Unified School District: Hard Choices Needed To Prevent Insolvency"

Dear Presiding Judge Carvill and Ms. Barner:

As noted in the District's initial response to the Grand Jury dated September 26, 2018, the District files this supplemental response to provide further acknowledgement of the Grand Jury's findings and provide additional specificity on the corrective action implementation plan.

The Board is unified in its focus on ensuring the District's fiscal vitality. This is a key component of the Board's and Superintendent's 2019-2020 work plan. The Board appreciates the work of the Grand Jury in highlighting these needs and providing a mechanism for the Board to share its ongoing work.

If there is further information that would be helpful to the Grand Jury, the Board and Superintendent are committed to providing it.

Sincerely,

Aimee Eng
President of the Governing Board

AE:lf

Attachment: Supplemental Response to 2017-2018 Civil Grand Jury Report

OAKLAND UNIFIED SUPPLEMENTAL RESPONSE TO FINDINGS AND RECOMMENDATIONS

Finding 18-6: Staff and Board of Education efforts to circumvent established budgeting policies along with board efforts to interfere in the administrative responsibilities of the superintendent invite financial instability and contribute to Oakland Unified School District's financial problems.

The Board supplements its prior response as follows:

The Board unequivocally holds itself accountable for the findings in the Grand Jury report and is committed to effectively governing the District through these challenges. Dr. Johnson-Trammell has made the fiscal vitality of the Oakland Unified School District her top priority. She is implementing a Fiscal Vitality Plan and provides regular reports on progress to the Board and the public. The Superintendent has brought in new leadership for the financial services department, with attention to building out systems and accountability. These changes are occurring at the direction of the Board of Education.

As noted in the Board's initial response, the Board has created a Special Committee on Fiscal Vitality. This committee's charge is to: (1) Explore Depth of Budget Deficit: Committee will recommend a target goal for budget reductions needed for 2019-20 and 2020-21 school years. (2) Build Shared Knowledge: In order to better support our community of stakeholders, the Committee will build a citywide understanding of OUSD's deficit and strategies being explored to address it; Board Policies and theory of action; Central allocations, Base funding allocations; and Academic Return on Investment. (3) Alignment with Theory of Action: Committee will reinforce Board of Education's theory of action around school-based decision-making. (4) Student-centered Budgeting: Committee will introduce and engage with the idea of academic return on investment for student achievement with emphasis on closing equity gaps and educating the whole child. (5) Recommendations to Move Forward: Committee will adopt a resolution, for consideration by the full board, providing directional guidance regarding the budget reductions for the 2019/20 and 2020/21 school years to the Superintendent for improving equity, quality, and sustainability for the district. The Special Committee has hosted or will host community meetings on the following dates:

August 29, 2018
August 30, 2018
September 6, 2018
September 13, 2018
September 20, 2018
October 4, 2018

October 11, 2018
October 18, 2018
November 1, 2018
November 8, 2018 (tentative)
November 28, 2018 (tentative)
December 13, 2018 (if necessary to culminate in budget guidance)

Also, in September and October 2018, the District unveiled an updated budgeting framework at the Special Committee on Fiscal Vitality to elicit feedback from the Special Committee, District leaders, principals, and community. The budget framework sets forth a clear decision matrix and includes review by the District's Budget Advisory Committee to impact assessments for all reduction options and provide criteria scores. With increased engagement, awareness, and alignment of the District's budget and necessary budget reductions, Board and District leadership anticipate greater buy-in and accountability for the challenging budget decisions ahead.

Finding 18-7: Oakland Unified School District's inability to control overstaffing and poor position control decisions have contributed to the district's financial instability.

and

Recommendation 18-9: The Oakland Unified School District must establish a position control system that tracks staff allocation and spending, and better interfaces with payroll systems.

The Board supplements its prior responses as follows:

At the Board's request, the Superintendent developed a Fiscal Vitality Implementation Plan to address key findings from the Fiscal Crisis Management Advisory Team (FCMAT) which was attached to the District's original response. Recommendation 2.5 of the Plan expressly identifies the need to "Review, update, and implement effective position control practices." The Plan provides that this recommendation should be implemented within three to twelve months (March 2018 - March 2019) and maintained on an ongoing basis. As a result, the District has instituted the following practices to ensure that any new or modified position within the District has funding associated with it.

As reflected in the District's Fiscal Vitality Implementation Plan update in March 2018 (attached to the District's original response), the first step for better position control has been to ensure a successful transition to an improved business system (Escape Online) that can accurately maintain budget, payroll, and human resources data and provide variance reports that can be reconciled. The District's former business system relied substantially on paper-based originating documents and data-entry which increased potential for errors. Escape Online is the business system used by Alameda County

Office of Education (ACOE) which facilitates consistency in business rules, support, and oversight. In 2017-2018, the District worked with ACOE and Escape Technology's independent team who possess extensive school business experience to develop workflows in Escape that have the requisite controls in place for approvals and budget encumbrances prior to Board approval.

The District successfully went live with Escape on July 1, 2018. As part of the roll-out, staff throughout the District have been trained on the appropriate District's workflows and processes. The training materials for Escape expressly address position control and are available online for all employees to refer to on an as-needed basis. The materials provide as follows:

Requesting Changes in Position Control

Requesting a change in position control such as a new position (new vacancy), a change to an existing position (increasing FTE or changing funding) and eliminating a position will be performed electronically in Escape through the use of an HRA.

HRAs are Human Resource Authorizations. In other words, they are electronic change requests for employees and positions. They are used for a variety of change requests in Escape and include approval routing, to-do (or task) routing, and notifications to stakeholders. The purpose of implementing HRAs in Oakland Unified School District is to eliminate the paper trail, replacing it with an electronic trail and streamlining the process.

Similarly, all position control changes require specific approvals that have more rigorous internal controls than the District's prior system. The requisite approvals are:

The approval path identified in OUSD for all Position Request type HRAs is as follows:

1. Program Manager (State & Federal) - review for specific program usage by resource
2. Financial Analyst - review for budget
3. Hiring Manager - if initiated/submitted by Hiring Manager this is automatically approved at submit
4. Network Supt
5. Chief
6. Staffing Analyst

Through these approval processes, potential new hires cannot be submitted on the personnel report for Board approval unless the corresponding budget is reviewed and encumbered for the salary and benefits.

In the District's third update to the Fiscal Vitality Implementation Plan on September 12, 2018, staff noted that the next steps in this action area are to reconcile variations in position vacancies, human resource systems, budgeted positions, payroll, and Board personnel reports and to review business-related Board Policies. The District is

currently reviewing budgeted, vacant positions on a monthly basis to maintain up-to-date information on hiring status. The District's plan is for reconciliation processes and updates of business-related Board Policies to be in place by March 2019.

Recommendation 18-7: The Oakland Unified School District Board of Education must participate in governance training, emphasizing that they are policy makers, not day-to-day administrators.

The Board supplements its prior response as follows:

From 2011-2018, the District was the recipient of a grant from the Panasonic Foundation whereby the Panasonic Foundation provided regular training, advice, and facilitation for District staff and leadership, Board members, and bargaining units. Barbara Anderson and Allan Alson from the Panasonic Foundation met monthly with the groups and individuals described above. Specific to the Board, the Panasonic Foundation provided ongoing training, led retreats on a range of governance topics, and facilitated the Board's self-evaluation process.

In 2017-18, the entire Governing Board engaged in governance training retreats and special meetings with Ron Bennett of School Services of California on June 12, 2017 and October 5, 2017, who provided training specific to OUSD on fiscal, budget, and board governance issues. In these retreats, Mr. Bennett provided guidance on how to address issues raised in the FCMAT report and best practices. The Board in 2017 engaged , Victor Cary of the National Equity Project to help build communication skills and trust among Board members. Mr. Cary provided a number of coaching and planning sessions in small groups, 1:1 sessions, and work with Board leadership and the entire Board. The sessions for the entire Board were held on May 9, 2017, August 3, 2017, August 30, 2017, and October 5, 2017. In addition, numerous individual board members engaged in individual professional development to assist them in their roles, including attending conferences of the Government Finance Officers Association, Council of Great City Schools, and California School Boards Association.

In addition to the governance training planned for January 2019 noted in the District's initial response, in November 2018, the Board will engage in exercises relating to practical application of governance versus management issues and will gather Board feedback to calibrate viewpoints of their role. Currently, the Board is exploring governance training resources with which it is familiar from ongoing work with the California School Boards Association and the Council of Great City Schools to provide additional trainings during the 2018-19 school year. Also, each Board member will also complete Ethics Training by December 31, 2018.

Recommendation 18-8: The Oakland Unified School District Board of Education members must communicate with district officials through the superintendent.

The Board supplements its prior response as follows:

The Board will update its Governance Handbook to implement the communication protocol by January 31, 2019.

Recommendation 18-12: The Oakland Unified School District must develop a transparent budget platform that better informs the Board of Education and the public regarding long-term consequences of financial decisions.

The Board supplements its prior response as follows:

As detailed in response to Recommendation 18-6 above, the District's Special Committee on Fiscal Vitality has convened nine public meetings to build awareness and engage in dialogue about the District's 2019-20 budget. In its October 4th meeting, the Special Committee discussed the following high-level summaries of prior meetings:

- OUSD is facing a structural deficit of +27 M (which does not include a teacher raise or addressing depleted funds.)
- Drivers - Rising Pension and Special education costs and declining enrollment (charter growth).
- Reviewed OUSD Theories of Action
- Discussion with Network Supts.
- Review of three key board policies and implications for making adjustments
- Defining Core v. Strategic initiatives and Administrative spending
- Measuring effectiveness of initiatives
- OUSD has higher than average staff turnover and it is costly both educationally and fiscally
- There is evidence that 'growing your own' approaches might be effective for OUSD
- Salary is among reasons for leaving, but several others
- Discussion with teachers and district staff on retention efforts.
- Financial policies and allocation systems need to be evaluated and updated over time.
- There is a misalignment between resources and board policy (A-G)
- The balancing pool represents a failure of an allocations systems
- There are specific issues to be addressed such as (1) including SDC students in the administrative ratios; (2) implementation of an 8 period day; (3) the "concentration" funds [aka Z-score];
- The staff to be commended for increasing funds through grants and other sources, but these also bring instability.
- Found examples of silos in the work that could be more efficient through increased collaboration.

- There are important themes (equity and teacher retention) that are present throughout the system, but need to be more explicit.
- Some misalignment with theory of action in terms of when to centralize services.

In addition to the Special Committee on Fiscal Vitality, there are additional budget engagements through the District Budget Advisory Committee which meets monthly; the Principal Advisory Committee which meets monthly; the Parent Student Advisory Committee which met on October 17, and will meet on December 19 and February 20; and a Board Study Session on the budget on November 27, 2018. The District also solicits recommendations from community on budget reduction ideas through an online "suggestion box." (<https://www.ousd.org/Page/17913>)

The District's budget framework (attached) has also been shared in these forums. The District's framework is intended to be clear and transparent about how proposed budget reductions will be analyzed and how recommendations will be made.

The District recognizes that stakeholders enter into fiscal communications at different junctures, with different foundational backgrounds. As a result, it is working with community to find additional forums and tools to share this critical information. The District is also launching a student and community survey the week of October 22nd which will solicit feedback from a variety of stakeholders. Also, on November 15, there will be a city-wide School Site Committee Summit focused on the budget to engage school teams in budget prioritization and reductions.