

2018-2020 Fiscal Vitality Implementation Plan Update

March 14, 2018



Presented by: Troy Christmas, Fiscal Services Director
To: OUSD Board of Education

Outcomes

Update on Fiscal Vitality Plan

- ❖ Outline of Required Steps
- ❖ Report on Progress to Date
- ❖ Review of Next Steps
- ❖ Request support from the Board

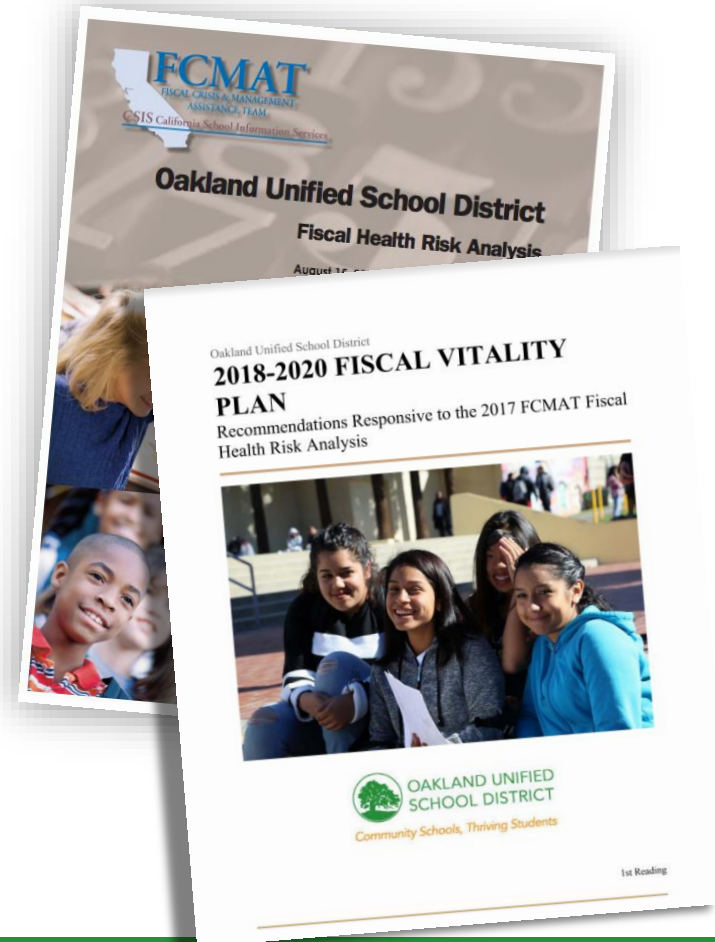


History and Current Context

- ❖ 2017 FCMAT Fiscal Health Risk Analysis
- ❖ OUSD 2016-17 Fiscal Report (AB139) from ACOE
- ❖ Post-Mortem Report to OUSD Board of Education
- ❖ Board of Education Resolution
- ❖ Additional Budget Challenges



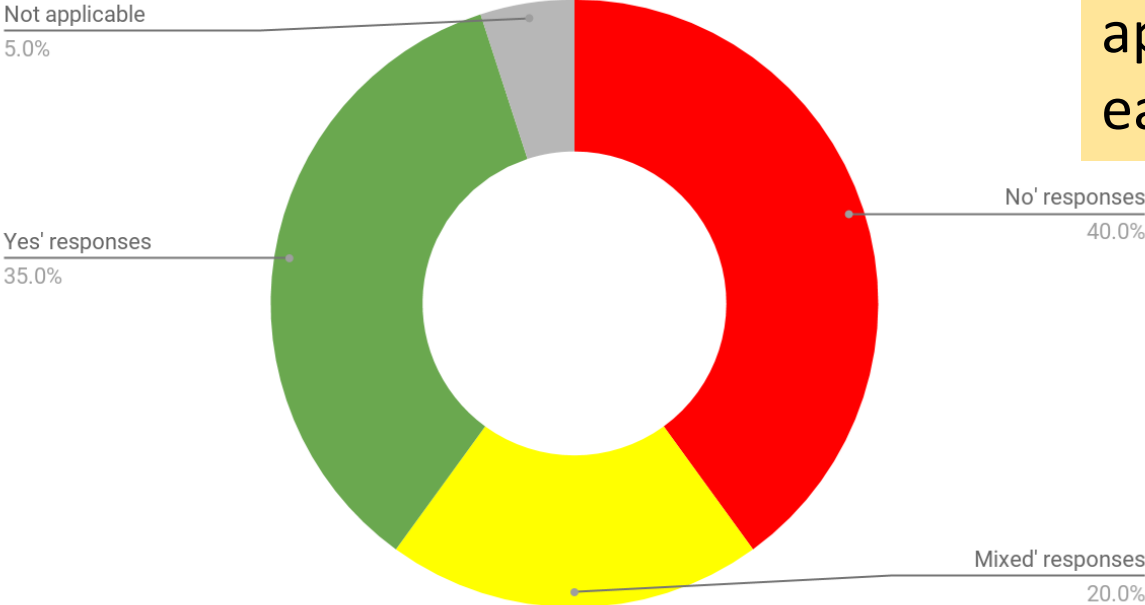
**OAKLAND UNIFIED
SCHOOL DISTRICT**
Community Schools, Thriving Students



Summary of FCMAT Risk Factors

The Fiscal Vitality Plan is a phased approach to convert each “No” to a “Yes”.

FCMAT Risk Analysis by Response Type



FCMAT Risk Factors “NO” Rating Crosswalk

FCMAT Risk Factors with “NO” Rating	Summary of FCMAT Recommendations	Reference to Fiscal Vitality Plan Phases and Recommendations
Deficit Spending	Adopt a plan to eliminate deficit spending	Recovery: 2.1, 2.2, 2.3, 2.4
Fund Balance	Monitor contributions and transfers to restricted programs	Stability: 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7
Reserve for Economic Uncertainty	Develop a plan to restore and maintain reserve	Stability: 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7
Bargaining Agreements	Bargaining beyond COLA must be supported by available fund balance	Vitality: 3.2
Encroachment	Cost containment for Special Education, Nutrition Services, and Early Childhood Education	Stability: 1.7
Position Control and Human Resources	Tracking, creating, and deleting positions; reconciling HR, budget and payroll systems	Stability: 1.2 Recovery: 2.5, 2.6, 2.8
Budget Monitoring and Updates	Budget exception framework	Recovery: 2.4
Leadership Stability	Culture and practices that promote and support systematic reform	Vitality: 3.1, 3.2, 3.3

Phases for Addressing FCMAT Risk Factors

Stability

- ❖ 2017-18 Mid-Year Adjustments
- ❖ Changes to Monitoring and Forecast Practices

Recovery

- ❖ 18-19 Budget Development
- ❖ Establishing Internal Controls
- ❖ Financial and Human Resource Information System Transition

Vitality

- ❖ Defining Roles and Responsibilities for District Oversight
- ❖ Blueprint for Quality Schools



Stability: 2017-18 Mid-Year Adjustments

1.1 - Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty

1.2 - Institute adjustments to existing Central Office positions

1.3 - Maximize the use of restricted revenue resources

1.4 - Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings

1.5 - Pursue capture of donated days and/or furlough

1.6 - Adjust school per pupil allocations to capture savings



2017-18 Mid-Year Adjustments Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
1.1 Restore Ending Fund Balance	Identify, implement, and monitor mid-year budget adjustments.	2nd Interim Report completed	Forecasted Actuals (April) Unaudited Actuals (August)
1.2 Adjustments to Central Positions	Implement a hiring freeze. Identify reductions to and eliminations of existing central office positions.	Position elimination and reduction notices sent. Layoffs pending. Project \$800K savings	Review actual reduced budgets once March/April payroll completed.
1.3 Maximize Restricted Revenue	Identify potential expenses that are appropriate and consistent with the rules for allowable use.	Current program development did not provide for anticipated savings.	Redefine programs to maximize General Fund and Restricted Fund Resources.
1.4 Evaluate Contracts, Books, and Supplies	Review existing and planned contracts for reduction or termination.	\$800K of reductions have been realized to date	Continue to review ways to reduce existing contracts and avoid additional contracts
1.5 Donations/ Furloughs	Payroll unit to compile data related to anticipated furlough savings.	\$250K of savings from generosity of employees	Continue to track and monitor anticipated savings
1.6 Adjustments to Per-Pupil Allocations	Identify equitable and sustainable reductions in per-pupil allocations.	\$3.8M reductions projected. \$3.2M realized.	Review actual reduced budgets once March/April payroll completed.

Stability: Monitor and Forecast Practices

1.7 - Institute closer monitoring of contributions to other programs (e.g., special education, nutrition, and early childhood education)

1.8 - Update and implement budget forecast and projection practices

1.9 - Review and update cash flow monitoring practices

1.10 - Institute immediate protocols to limit and review spending among Central Office and school sites



Monitor and Forecast Practices Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
1.7 Develop plan to monitor contributions to SpEd, Nutrition, and ECE services	Create a method to identify, track, and report revenue generation and cost drivers; flag changes in trends and budget impact.	Reviewing current programs and cost analysis. At 2nd Interim, Nutritional Services contribution increased by \$550k.	Create plan to administer a comprehensive needs assessment for each program to identify, track, and report program needs.
1.8 Update and implement budget forecast and projection practices	Prepare interim and multi-year projection (MYP) reports to inform leaders on the fiscal impact of decisions and the sustainability of programs.	Developed an MYP tool to demonstrate fiscal impact of decisions. Prepared 2nd Interim and MYP which reflects all appropriate assumptions.	Continue to use the MYP tool, incorporate cost-saving and revenue realignment measures to maximize resources.
1.9 Review and update cash flow monitoring practices	Establish monthly cash flow reconciliation for all programs; stabilize and rebuild the reserve.	Developed real-time tools to forecast cash flow from payroll.	Continue to build real-time cash flow tools for all types of expenses.
1.10 Institute protocols to limit and review spending patterns	Monthly budget monitoring meetings with Network Supts and fiscal staff.	Budget development meetings identified spending plans for 18-19.	Calendar monthly budget monitoring meetings for 18-19.

Recovery: 18-19 Budget Development

2.1 - Plan for and adopt a balanced budget that avoids future deficit spending

2.2. - Establish and conduct zero-based budgeting sessions with all Central Office departments and schools

2.3 - Research, engage, and implement a Central Office reorganization



18-19 Budget Development Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
2.1 Plan and adopt a balanced budget to avoid deficit spending	Identify all key assumptions to include in 18-19 budget development (see pg 32 of FVP).	All key assumptions are included in 18-19 budget development and confirmed with FCMAT, State Trustee, and WestEd.	Load a balanced 18-19 budget adoption which reflects all key assumptions to avoid deficit spending.
2.2 Zero-based budgeting sessions	Review and rebuild all budgets for 18-19 budget development to identify and justify all expenses.	Zero-based budgeting sessions concluded in December 2017. School Site budget sessions are complete and Central Office sessions are in progress.	District leaders are making decisions to reorganize the Central Office based on information from zero-based budgeting..
2.3 Research, engage, and implement a Central Office reorganization	Identify impact of roles and responsibilities of central office leadership to foster an efficient and effective leadership structure.	Clarified central office services, maximized efficiency, and developed focus for the district to achieve its core mission to meet the needs of students.	Develop a revised organizational chart that reflects clear reporting relationships and functional responsibilities.

Recovery: Internal Controls

2.4 - Institute and conduct monthly central office and school site budget monitoring practices

2.5 - Review, update and implement effective position control practices

2.6 - Develop a process for pre-approval for extra time employee payments

2.7 - Review and implement revised contract approval, processing and management procedures

Internal Controls Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
2.4 Conduct monthly budget monitoring practices	Engage Central Office and school leaders in training to understand the budget exception framework.	Will be the focus of work from April- June	Monthly actual/budget exception reporting starting in April
2.5 Review, update, and implement position control practices	Regularly reconcile payroll, budget and position control reports to identify misaligned information.	Will be the focus of work from April- June, including incorporation of upcoming ESCAPE system	Creating routine monthly exception reporting
2.6 Develop a process for pre-approval for extra-time employee pay outside of contract	Create a work group to develop a process to support an efficient and effective process to pre-approve payments and monitor budgets for employee extra time.	A memo was sent to all site and department leaders to communicate a pre-approval process	Formalize ongoing processes and internal systems to support and train all staff on the updated policies and practices.
2.7 Review and implement contract approval, processing, and management procedures	Establish clear criteria for appropriate contracted services to ensure this area of expenditures is strategic and supportive of district priorities.	Will be the focus of work from April- June, including incorporation of upcoming ESCAPE system	Creating routine monthly exception reporting

Recovery: Financial and Human Resource Information System (Escape Implementation)

2.8 - Complete transition to Escape technology system to manage finance and human resource (HR) information

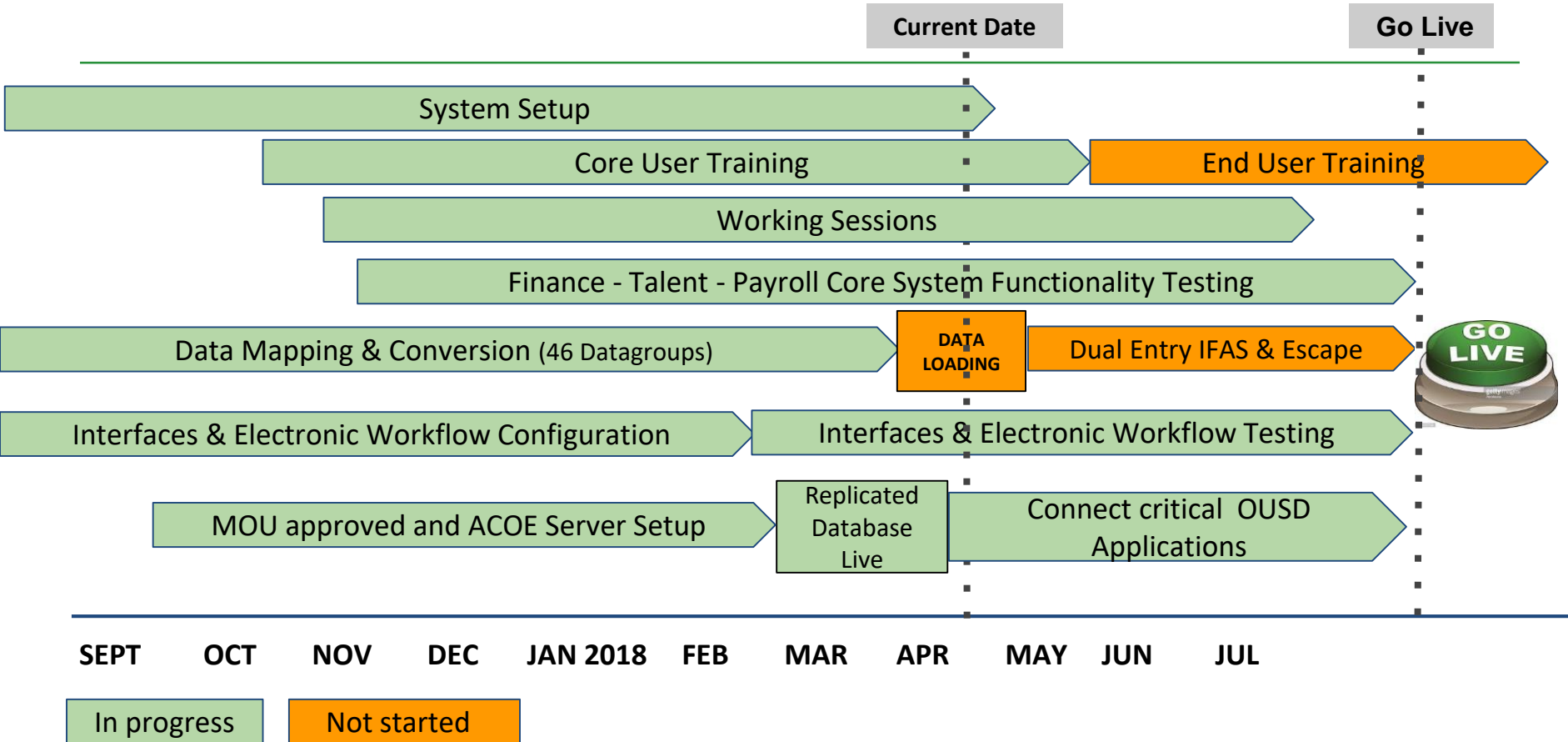
- ✓ Forecasting and budgeting module for all funds
- ✓ Workflow automation with approvals
- ✓ Built-in reporting
- ✓ Standardized and integrated with Alameda County



Escape Implementation Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
2.8 Transition to Escape Technology System	The District is asked to fully support staff in the teaching and learning of the transition from IFAS to ESCAPE	Completed since last update (Dec) <ul style="list-style-type: none">● System setup, data mapping and data conversion● Multiple core training and working sessions● Replicated database live	<ul style="list-style-type: none">● Additional core training and working sessions● Dual data entry phase (IFAS & Escape)● Test core system functionalities● End user training sessions● Configuration and testing of interfaces and key electronic workflows

ESCAPE IMPLEMENTATION TIMELINE



Escape Budget Summary

One Time Implementation Costs	Y1: 16/17	Y2: 17/18
Budget	\$264,750	\$353,013
Actual	\$106,525	\$150,463
Estimate to Complete		\$181,025
Estimate at Complete		\$331,488
Differential	\$158,225	\$21,525

As we go through this implementation we realize there are further improvements (i.e. online timesheets, electronic leaves, etc.) that the District could benefit from (Phase II). This would require an additional budget for 2018/19. Next steps:

- Gather list of improvements
- Get quote from ACOE/Escape
- Make final decision on improvements we will implement

Overall budget for one-time implementation (Phase I) costs \$617,773

2016/17

- Budget \$264,750
- Actual \$106,525
- Below budget by \$158,225

2017/18

- Budget \$353,013
- Actual to date \$150,463
- Estimate to complete \$181,025
- Estimate at complete \$331,488
- Estimate below budget \$21,525

Recovery: Revenue Maximization

2.9 - Review and execute on shifts in expenses that maximize the use of restricted funds



Revenue Maximization Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
2.9 Maximize use of restricted funds for 17-18	Review all allocation methods to identify how to best align allocations to district and site priorities.	Reviewed current use of restricted funds and were unable to realign under current program structure.	Identify Central Office and Instructional Program alignment opportunities for 18-19.
2.9 Maximize use of restricted funds for 18-19	Identify potential redirection of funds to other uses consistent with program rules and district priorities.	Pending Central Office and instructional program alignment to LCAP priorities.	Upon completion of program alignment, review and reallocate restricted funds, where appropriate.

Vitality: Defining District Oversight Priorities

3.1 - Roles and responsibilities of school district and school leaders with budget oversight

3.2 - Management and oversight of bargaining agreements

3.3 - Conduct and deliver study and recommendations from the 'Blueprint for Quality Schools'



Oversight Responsibilities Progress to Date

FVP Recommendation	Action Required	Progress to Date	Next Steps
3.1 Establish budget oversight responsibilities	Review, revise and update procedures specific to the roles and responsibilities of school district and school leaders related to budget oversight.	Engaging budget officers in developing budget development and monitoring oversight responsibilities.	Hire new CBO/CFO.
3.2 Management of bargaining agreements	Bargaining agreements commitments need to include full consideration of known and estimated multi-year effects.	Developing a process to define and document assumptions for current budget year plus two upcoming budget years.	Establish procedures to make adjustments, as they are known to determine current and long-term fiscal impact.
3.3 Complete study on 'Blueprint for Quality Schools'	Finalize Quality Schools Action Plan and Facilities Master Plan	Update on Quality Schools Master Plan to Board on March 14. First read of Facilities Master Plan on April 11.	Finalize Quality Schools Action Plan and ongoing budget to support the work. Second read and adoption of the Facilities Master Plan.

Support from the Board

- ❖ Appreciation of Board support as OUSD makes progress towards addressing the FCMAT Risk Factor areas.
- ❖ Moving into 18-19, schedule regular reporting periods to the Board where OUSD staff will communicate the status of the Fiscal Vitality Plan and other areas of concern.
- ❖ Support the search for the new CBO.

If OUSD needed board support for a hiring freeze, or a purchasing freeze, this is where the support could be requested.

Committed to Fiscal Vitality



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