



# Budget & Finance Committee

## Monday, October 30<sup>th</sup>



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# Today's Outcomes



## Outcomes:

- To ground our discussion and decisions in our guiding principles
- To review the draft Mid Year Adjustments from staff and provide feedback
- To review research on best practices and data to guide our discussion and decisions
- To gain more clarity on the Target for Mid Year Adjustments we will decide on 11/6 to present to the board on 11/8.

# Agenda

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Item	
Guiding Principles	
Draft Mid Year Adjustments	
Proposed Target	
Research to support target/adjustments	
Meeting Review	
Closing	

# Guiding Principles Regarding Budget Development & Prioritization

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<p><b>Student First:</b> Understanding the impact of decision on students.</p>	<ul style="list-style-type: none"><li>● Data-driven decisions aligned to Theory of Action, Strategic Plan and LCAP.</li><li>● Reviewing student-level data and incorporating feedback from the previous year budget development process and assessing effectiveness to inform decisions.</li></ul>
<p><b>Engaging key stakeholders:</b> Incorporating their feedback into the budget process to the extent feasible given mandatory timelines.</p>	<ul style="list-style-type: none"><li>● In line with the district's Theory of Action, resources and dollars at the school sites should be protected.</li><li>● Adhering to best fiscal practices in order to position OUSD for improved short and long-term fiscal health.</li><li>● Understanding short and long-term impact of key fiscal, programmatic and operational decisions.</li><li>● Identifying and understanding the level of risk embedding in key fiscal decisions.</li></ul>

## Guiding Principles Regarding Budget Development & Prioritization (cont.)

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**Equity:** Budget adjustments should be made in a way that avoids disproportionately impacting the District's most vulnerable students e.g. specific schools or student populations being impacted by a combination of budget adjustments

**Transparent Communications:** Ensuring the Board and community have timely access to clear, accessible, comprehensive information, including understanding the full range of options being considered and what choices are being made and by what timeline and according to what criteria.


# What we need: Breakdown of Potential Mid-Year Adjustments

## Mid-Year Adjustments

Must Do	Need to Do	May Do*
Restore Reserve Minimum \$1.2M	Move Towards Solvency \$13M	Improve Stability + \$0-6M

**\$1.2M + \$13M = \$14.2M + X = ?**

**Final Board Decision - Nov 29th**



## How to decide: Engagement on Mid Year Adjustments

- Principals' Engagement 10/20
- Advisory Team Retreat - 10/23-10/24
- Draft Guiding Principles from Board
- Input from Budget & Finance Committee and Board Discussion, District Budget Advisory Committee, Local Control Accountability Plan, Online Savings Suggestion box

# Where is the money?

## Schools = \$250M

Includes ~\$30M of “5700” site-paid central staff (e.g. custodians, nurses, SSOs, gardeners, RJ)

2017-18 UNRESTRICTED GENERAL FUND BUDGETS (\$MILLIONS)	
SCHOOLS	CENTRAL
SCHOOL STAFF \$200.0	CENTRAL STAFF \$58.5
NON-STAFF COSTS & POSITIVE PAY \$50.0	NON-STAFF COSTS & POSITIVE PAY \$15.5

## Central = \$74M

- Includes ~7M of District-wide expenses
- Excludes ~\$71M in contributions to RRMA, Cafeteria Fund and Special Education



# How will we ensure \$14.2M in savings?

	Schools Target = \$5.6M = ↓2.2% % of Budget Reduction	Central Target = \$8.6M = ↓11.6% % of Budget Reduction & Targeted layoffs
<b>Staff</b>	<b>Options</b> <ul style="list-style-type: none"> <li>● Stip Subs (45 of 98 FTE req'd)</li> <li>● Temp Teachers (~200 FTE)</li> <li>● Classified layoffs</li> <li>● Donations of time (unpaid work)</li> </ul>	<b>Options</b> <ul style="list-style-type: none"> <li>● ~\$1M per 25 Classified FTE layoff means \$6M = 150 FTE layoff</li> <li>● Of ~650 FTE, 310 (47%) are site-paid (e.g. gardeners, SSOs, custodians, nurses, RJ)</li> <li>● Donations of time (unpaid work)</li> </ul>
<b>Non-Staff &amp; Positive Pay</b>	<b>Options</b>   ~\$6.2M Not yet encumbered, ~\$3.2 Encumbered <ul style="list-style-type: none"> <li>● Books &amp; Supplies</li> <li>● Encumbered &amp; Balance in contracts</li> <li>● Overtime, Extra-time</li> </ul>	<b>Options</b>   \$6.0M Not yet encumbered, ~4.5M Encumbered <ul style="list-style-type: none"> <li>● Books &amp; Supplies</li> <li>● Encumbered &amp; Balance in contracts</li> <li>● Overtime, Extra-time</li> </ul>

**Negotiated furloughs are also being pursued with all bargaining units to reduced need for layoffs.**

# What limits our options?

	Schools Target = \$5.6M = ↓2.2%	Central Target = \$8.6M = ↓11.6%
<b>Staff</b>	<p><b>Limitations</b></p> <ul style="list-style-type: none"> <li>● Certificated staff cannot be released mid-year (except subs &amp; temps)</li> <li>● Classified layoffs → bumping</li> <li>● ½ year = ½ savings</li> </ul>	<p><b>Limitations</b></p> <ul style="list-style-type: none"> <li>● ½ year = ½ savings minus vacation payouts, contract payouts</li> <li>● Classified layoffs require 60 days prior notice and result in bumping</li> <li>● If site-paid central staff excluded, \$6M represents ~ ↓44% reduction of remaining 340 FTE</li> </ul>
<b>Non-Staff &amp; Positive Pay</b>	<p><b>Limitations</b></p> <ul style="list-style-type: none"> <li>● Some over-time or extra-time may be by prior agreement</li> </ul>	<p><b>Limitations</b></p> <ul style="list-style-type: none"> <li>● ~\$2M of encumbered contracts = PEC Transportation</li> <li>● ~1M of balance reserved for custodial overtime</li> </ul>

**Alameda County requires identified savings by December 15th**

## Committee Recommendations: \$14.2M+ ???

Committee went through a parallel process and used staff reports to come up with a recommended goal based on Committee priorities. Primary areas of variance were in the Contingency Fund, Reserve and Self Insurance Fund.

- **\$1.2M = Maintain 2% Reserve**
- **\$5.2M = Additional 1% to in reserves (e.g. savings)**
- **\$8.0M = Restore Self Insurance Fund to 2016 level**
- **\$1.0M = Reserve for Potential Audit Findings**
- **\$5.0M = Contributions to Restricted Programs**
- **\$5.0M = Contingency Fund (e.g. textbooks, transportation etc.)**

**Committee identified \$25.4 in spending reductions needed in near-term to achieve fiscal solvency**

## Staff + Committee Priorities

Committee also examined the potential fiscal impact of combining the staff recommendation with the Committee priorities of restoring the 3% Board minimum reserve requirement and Self Insurance Fund.

- **\$1.2M = Maintain 2% Reserve**
- **\$4.7M = Contributions to Restricted Programs (PEC, Food Services)**
- **\$7.9M = Contingency Fund (difference between third interim and Closing of the Books + Audit Findings)**
- **\$ .4M = Unforeseen costs**
- **TBD = Textbook replacement**
- **\$8M = Restore Self Insurance Fund to 16-17 level\***
- **\$5.2M = Additional 1% to Board Reserve (3% total)\***

\* Committee recommended priority

**Combined total of \$27.4M**

# 17-18 Mid Year Adjustment Timeline

Date	Engagement
Wednesday, 10/25	Board Meeting: Recommend Target Range for Mid Year Adjustments
Friday, 10/27	Advisory, Final Materials Submission for Budget & Finance Committee 10/30
Monday 10/30	Budget & Finance Committee
Friday, 11/3	Advisory, Final Materials Submission for Budget & Finance Committee 11/6
Monday 11/6	Budget & Finance Committee
Wednesday, 11/8	Board Meeting: Final Board Approval of Budget Adjustments
Thursday, 11/29	Special Board Meeting
Friday 12/1	Implement All Mid Year Adjustments
Wednesday 12/13	First Interim Budget Report

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