



**OAKLAND UNIFIED  
SCHOOL DISTRICT**

*Community Schools, Thriving Students*

# State of Our District Finances Board of Education Town Hall

November 20, 2017



# Today's Outcomes

- **Review why we are in a budget crisis**
- **Review the steps we are taking to address the shortfall for 17-18**
- **Review the steps we are taking to ensure this doesn't happen again**
- **Answer questions from parents/community**

# Meeting Agreements

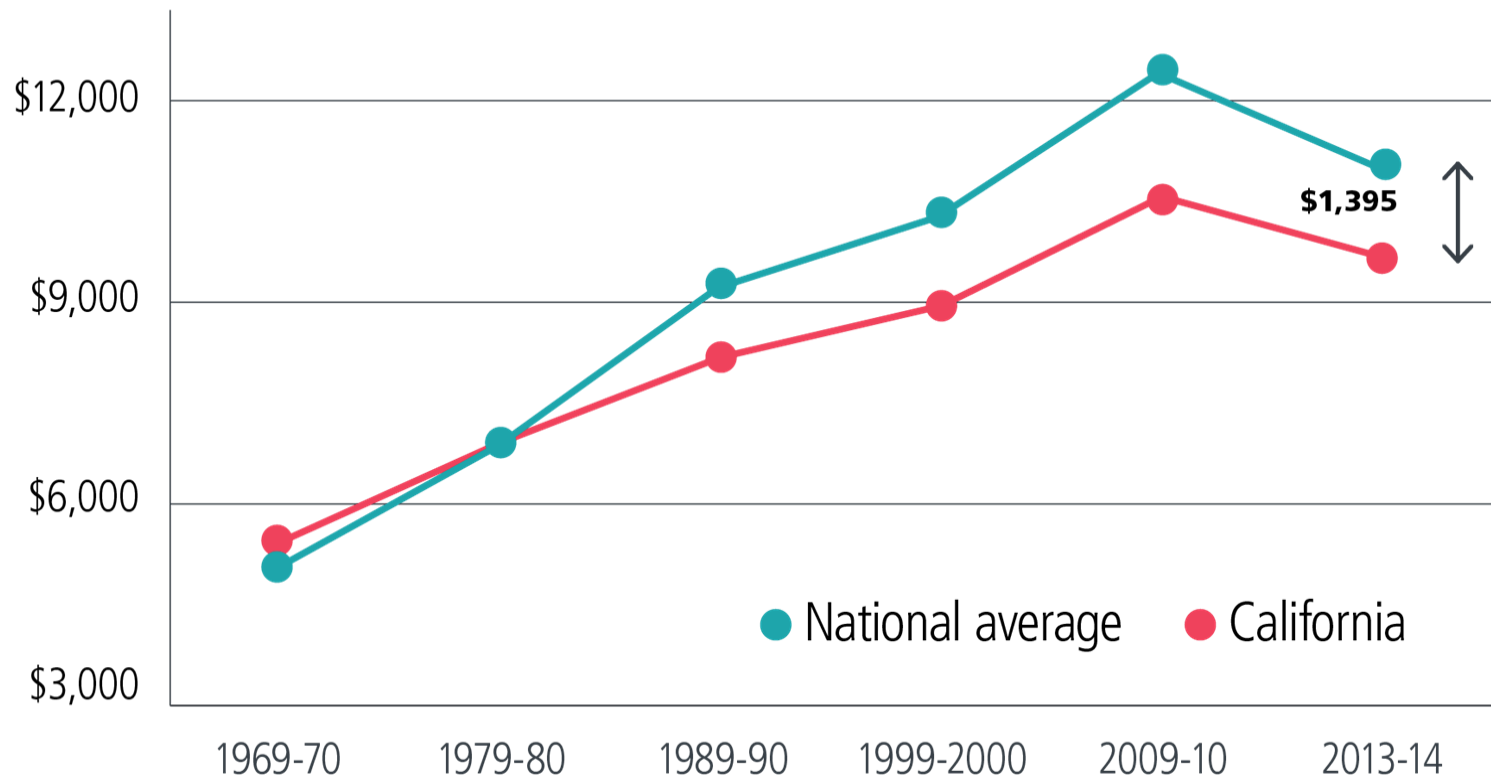
- **Respect**
- One mic
- **Try it on**
- **Be present (devices on silent)**
- Respect time
- **What else?**



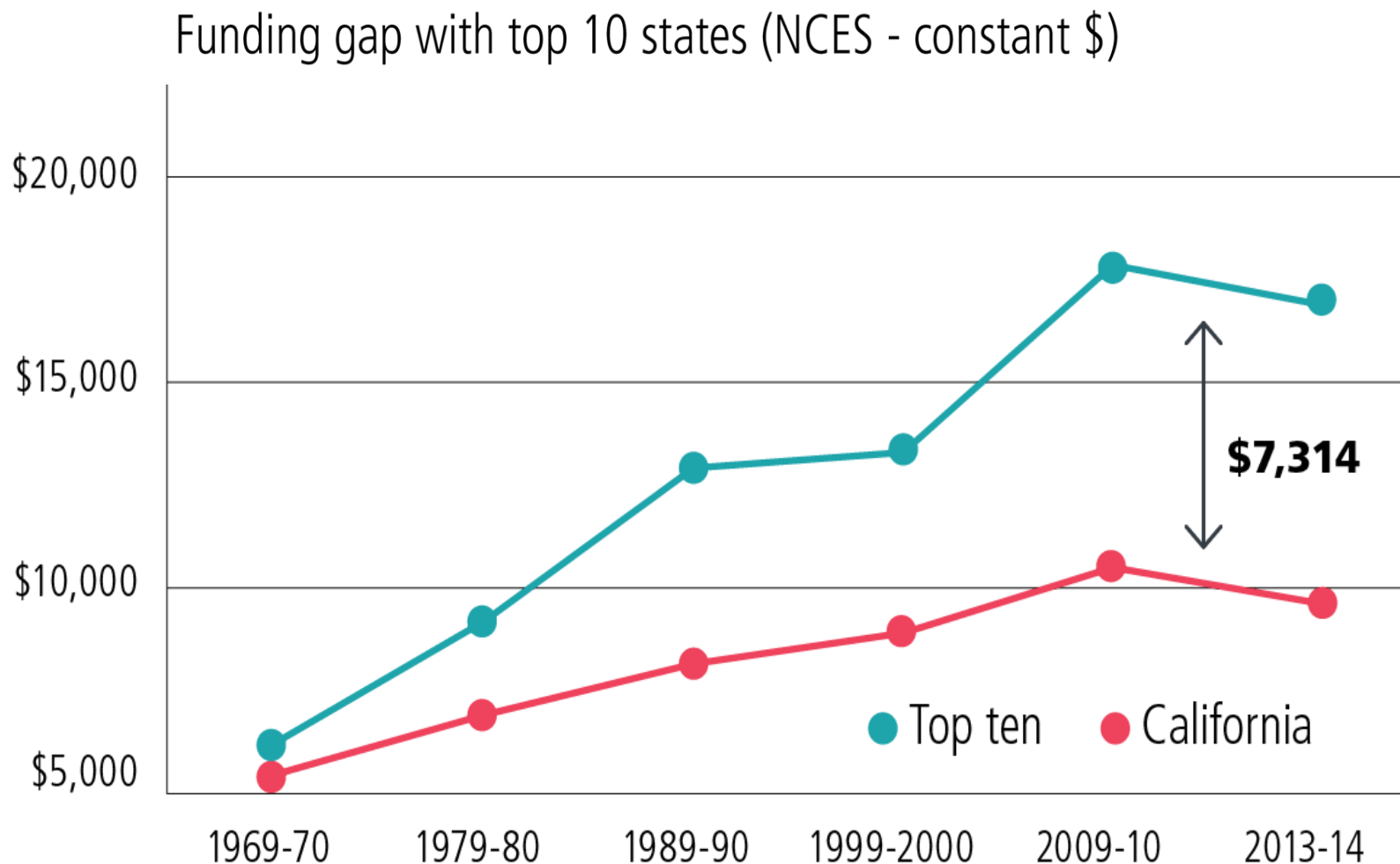
# OUR FINANCIAL CONTEXT

# CA Funding Gaps Arise After Prop 13

Funding gap with national average (NCES Per Pupil Spending Constant \$)

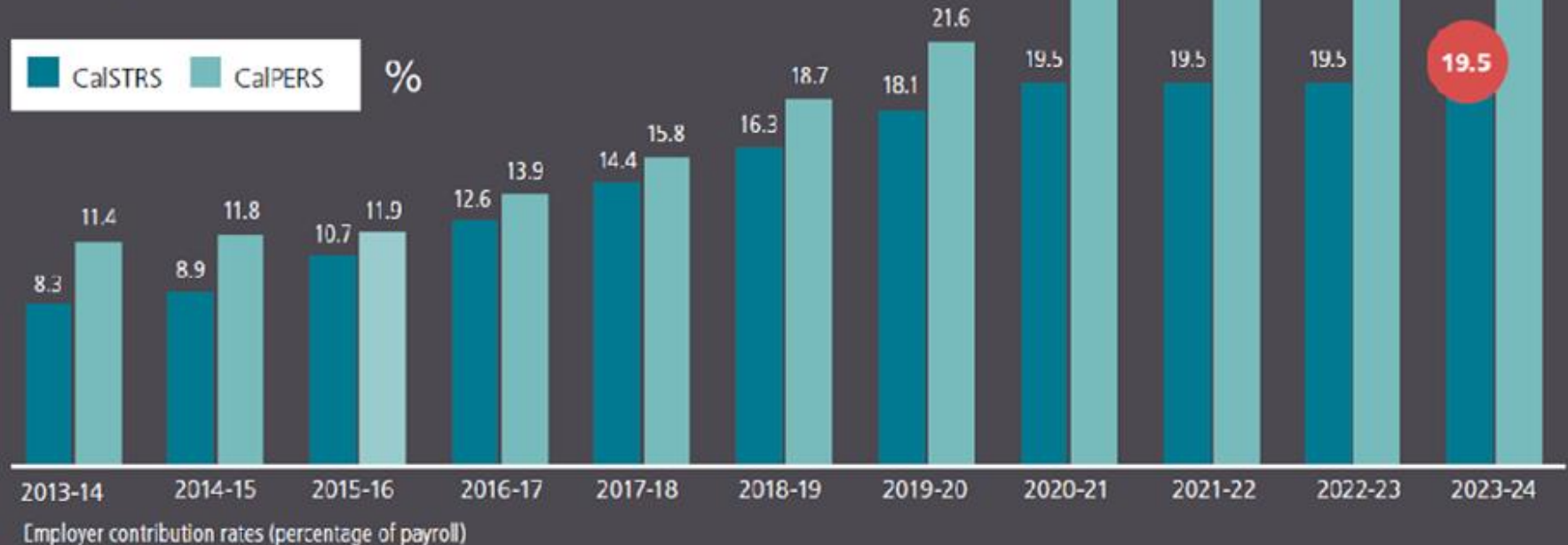


# CA Falls Even Further Behind Top 10 States

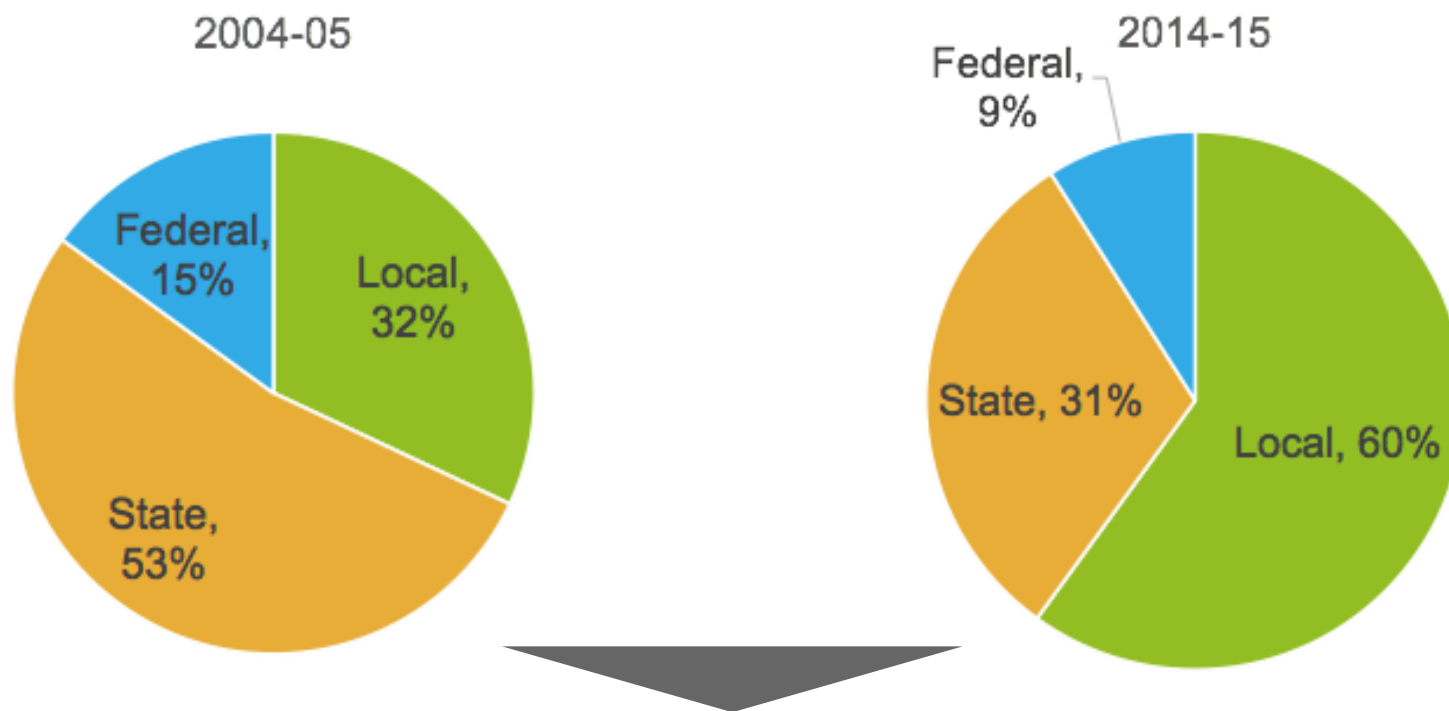


# Key Costs Rising: Retirement Contributions

**Total PERS/STRS costs to schools will nearly *TRIPLE* over a 10-year period.**



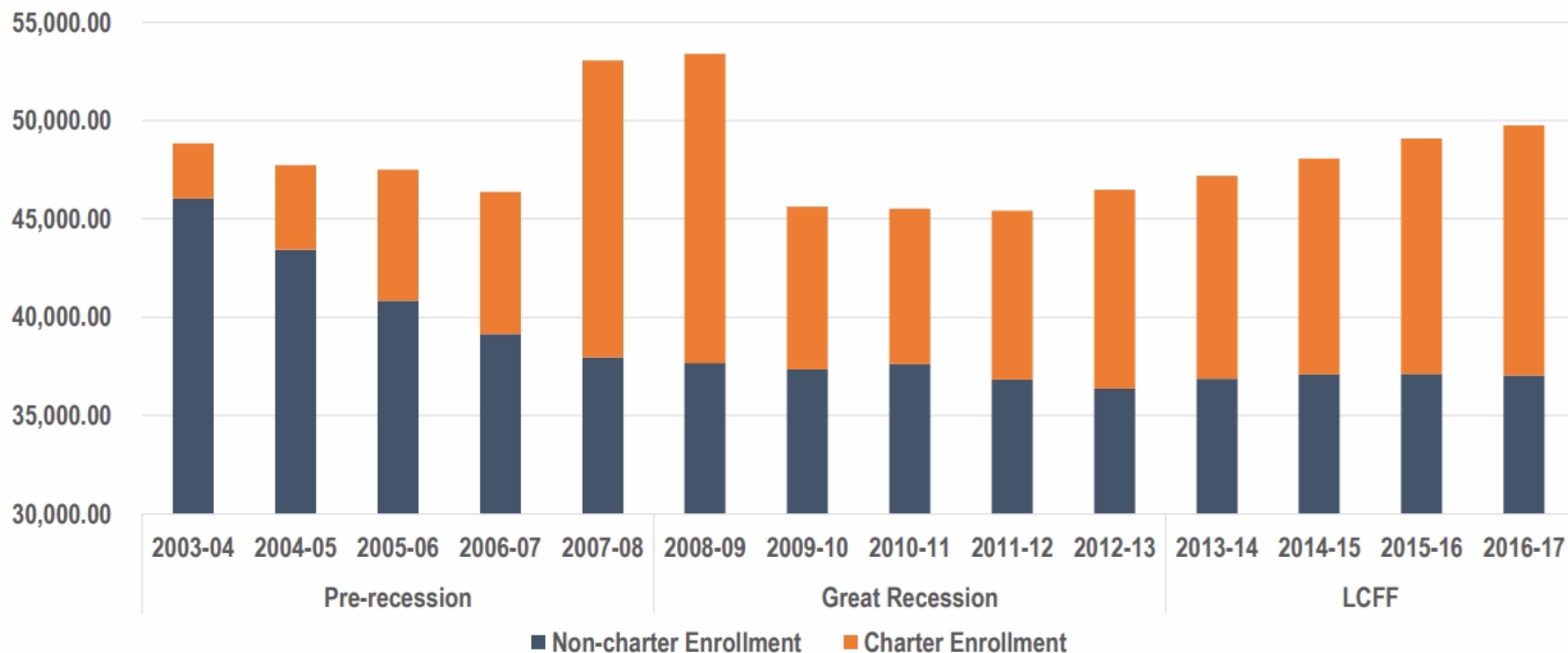
# Key Costs Rising: Special Ed



**District share of Special Education costs nearly double in 10 years.**



# OUSD's share of Enrollment is Declining



# Long-Term Budget Environment

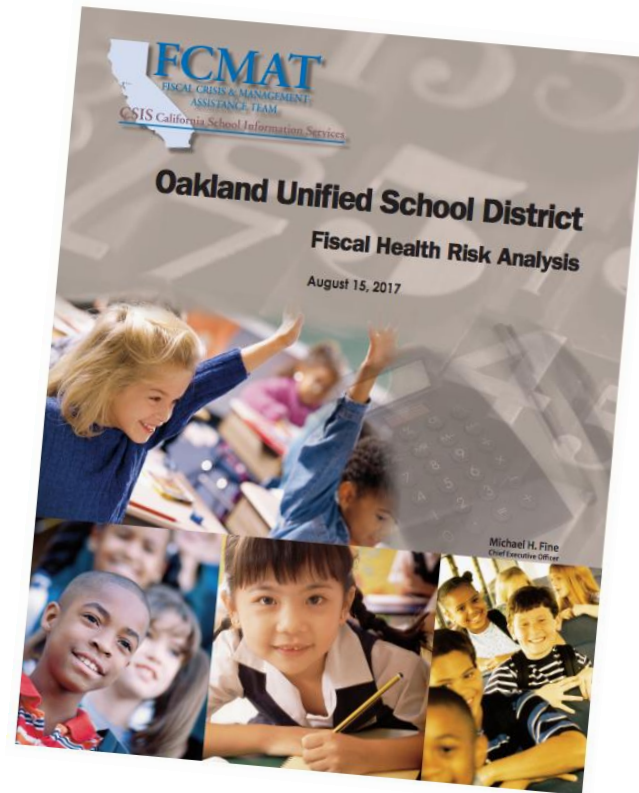
The following items are also a part of our current budget environment:

- **LCFF Revenue** is close to being fully funded, which means the increases from year to year will be significantly reduced.
- **Cost of Living Adjustments (COLAs)** are not expected to keep pace with the true cost of living, meaning we will have the same amount of funding to pay for higher costs.
- **Support to Special Education, Early Childhood, and Child Nutrition** needs to be monitored, and program adjustments must be made, because ***the General Fund is no longer in a position to contribute funding.***

# Our Financial Health is at Risk

We need to make changes now to create systems that help us to effectively monitor our District budget and live within our financial means.

## FCMAT REPORT



Alameda County Closely Monitors our Budget

# Spending Beyond Our Means

In addition to long-term trends, a number of factors led to a significant recent shift in our financial stability, including:

- We did not use actual student counts to staff our schools;
- Senior Leadership made financial decisions outside the budget development process;
- We invested in educational programs without the financial means to implement or sustain them;
- Our Special Education population and costs per student continue increasing;
- We did not appropriately plan or restrain expenditures like reimbursements, mileage, and extended contracts/ET/OT; and
- We committed to partnerships that we could not afford.

**Purpose: To describe causes and drivers for the budget crisis in order to stabilize the budget and avoid future situations.**

**Findings Organized in the Following Categories:**

- A. Structural Budget Imbalance and Cash Flow**
- B. Revenues**
- C. Expenditures**
- D. Internal Controls and Budget Management**

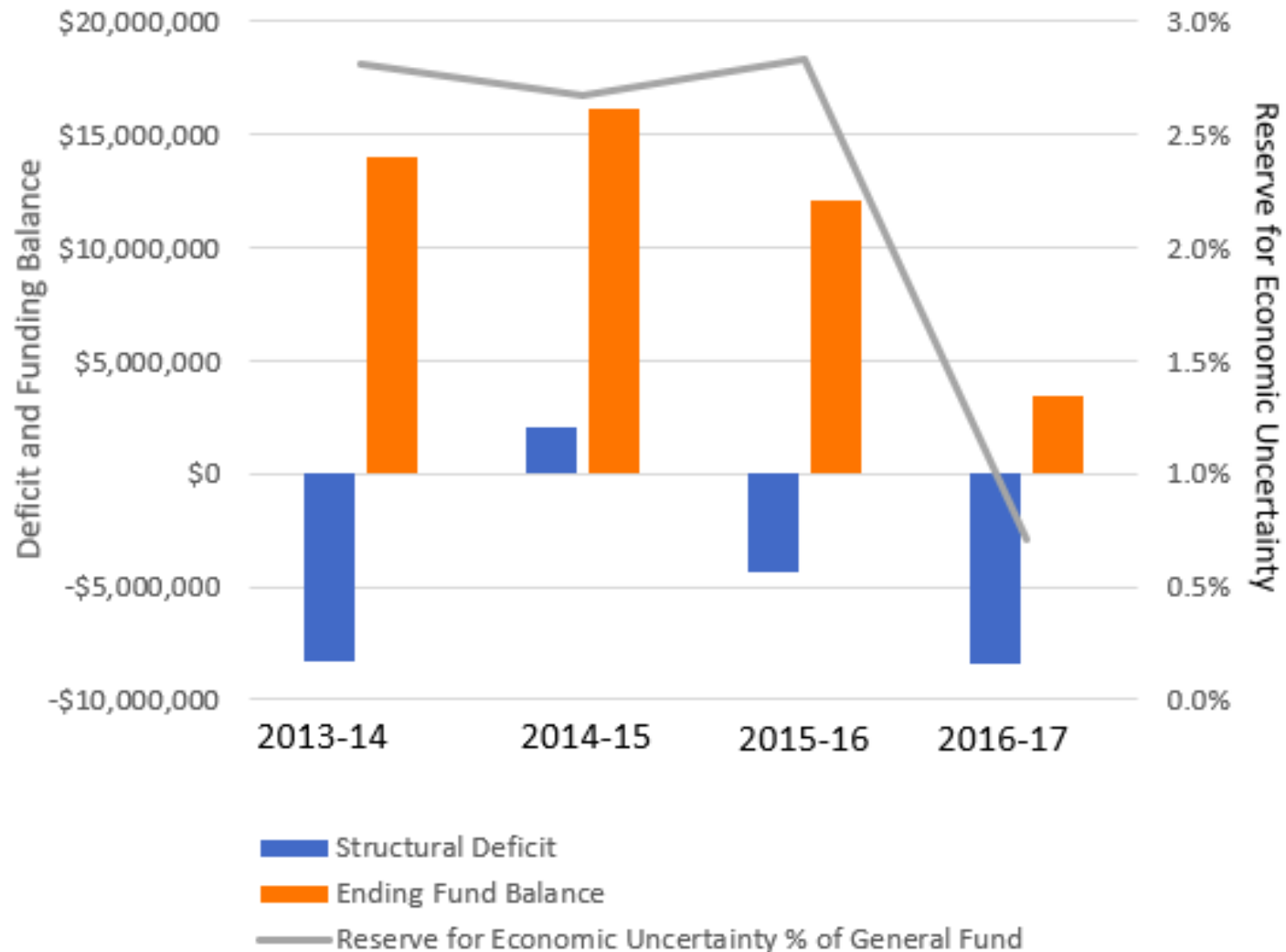
## **Structural Imbalance & Cash Flow:**

- **Low Per Pupil Funding from the State**
- **Pension (PERS/STRS) Rising Contributions**
- **Declining Enrollment without ensuring that all schools sites are self-sustaining**
- **Programs with insufficient federal & state resources to support the current delivery model (Special Education, Early Childhood Education, Nutrition Services)**

## **Internal Controls & Management:**

- **Clearly establishing roles, responsibilities, and relationships to complete critical procedures and tasks**
- **Maintaining documentation and records that are organized and back-up work and assumptions**
- **Segregate duties to provide for check and balances**
- **Business systems with embedded quality and control checks**
- **Regular independent reviews**

## Unrestricted Fund Structural Deficit, Reserves, and Balances





## **Key Drivers**

- **Expenditures for the size & services of central office and school sites are increasing far faster than revenue.**
- **Increases in expenditures with increase funding from Local Control Funding Formula without sufficient controls for long-term balance and sustainability.**
- **Weaknesses in internal controls:**
  - enrollment
  - personnel expenses
  - budget adjustments
  - audit findings
- **Increasing contributions from the unrestricted general fund to programs.**
  - special education,
  - early childhood development
  - transportation
  - nutrition services





## **Key Drivers**

- **Building the budget based on the prior year with updates (“roll-over” budgeting).**
  - Doesn’t allow for careful review the multi-year impact of expenditure decisions and revenue changes
  - Lacks a clear articulation of changing budget assumptions
  - Need to move toward zero-based budgeting
- **Accurate Enrollment Projections & Revenue Estimates**
  - (External) Expected variance between enrollment projections and actual attendance due to growth of charter schools and lack of affordable housing leading to families are moving out of the area
  - (Internal) Need stronger internal controls to support the accuracy, timeliness, and follow-through

<b>Total Salary and Benefits (Certificated and Classified)</b>		
<b>Fiscal Year</b>	<b>Budgeted</b>	<b>Actual</b>
2013-14	\$199,753,116	\$211,414,632
2014-15	\$231,257,374	\$231,350,281
2015-16	\$237,522,834	\$274,587,226
2016-17	\$285,644,605	\$295,501,600

Salary and benefits account for over 86% of unrestricted general funding spending. From 2013-14 to 2016-17 salary and benefit expenditures increased by 40% with a consistent trend of the actuals exceeding the adopted budget.



## Key Drivers

- **Most significant expenditures are for personnel.**
  - Current financial and human resource management systems are inadequate to ensure there is a robust position control process and system.
- **Balancing staffing levels with student counts and revenue availability**
  - Lack of systems to follow through with adjustments.
  - Lack of follow-through with needed reductions in staffing based on enrollment
  - Overall mistrust of the accuracy of financial and personnel information.
  - Self-Sustaining size & services of central office and schools sites

**Nearly every financial challenge referenced in this report and the board resolution has as its source of problem and resolution internal controls.**

**This includes:**

- **Creation of positions for which there was not an adequate budget**
- **Approval of contracts for which there was not an adequate budget**
- **Site and department spending during the spending freeze**
- **Lack of resolution of most audit findings**
- **Lack of consistent enforcement for budget reductions**

**The FCMAT Implementation Plan will address the steps the district will take to improve Internal Controls and Budget Management**

# WHERE ARE WE NOW?

# K-12 Budgeting: A Moving Target

Like every District budget, **the 2017-18 budget travels a 2-year journey** from planning to implementation to reconciliation. The 1st Budget Revision adjusts for new information learned since budget adoption in June.

## Oct – Dec 2016

- Enrollment Projections
- Review student results
- Revenue projections
- Prioritize Expenditures

## Jan – Mar 2017

- State's Budget projection
- School & Dept. spending plans finalized
- Recruitment/Layoffs initiated

## Apr – Jun 2017

- Governor's revised Budget projection
- LCAP finalized/adopted
- 2017-18 Budget finalized/adopted

## Jul – Sep 2017

- Closing 2016-17 books
- 2017-18 actual enrollment determined
- 2017-18 actual payroll & other spending begins

## Oct – Dec 2017

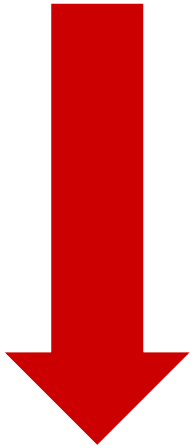
- 1<sup>st</sup> Budget Revision
- 1<sup>st</sup> Interim report (Dec)

## Jan – Sep 2018

- 2<sup>nd</sup> Interim report (Mar)
- 3<sup>rd</sup> Interim (May)
- Budget year ends (Jun)
- Closing 2017-18 books (Sep)

# 1st Budget Revision = Reserve Depleted

**Headline:** Our reserves are depleted and our revised budget projects it's getting worse.



**At 2016-17 Closing of the Books in September, fund balance was depleted so we started 2017-18 with only minimum 2% reserve.**

**Our 1st Budget Revision adjustment projects a further reduction of fund balance to \$1.2M below the 2% requirement.**

**\$1.2M = Reduction required to meet reserve requirements**

# Our Immediate Challenge

## Mid-Year Adjustments

Restore Reserve  
Minimum  
\$1.2M

Move Towards  
Long Term Solvency  
\$4.7M Contributions  
\$7.2 Reserve

Improve  
Stability \$2M  
Self Insurance  
Fund

**Total Target: \$15.1M**

**Board Approval of Resolution, Nov 8th**

**Board Final Approval, Dec. 13**





# Collaboration Across OUSD Needed

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We must take every possible measure to ensure that we put **Students First** by:

- Limiting the impact on school site services that directly support students
- Committing to a culture of savings and operating within our budget.

# How will we ensure \$1 M in savings?

**Schools Target = Estimated \$5.6M**

**Central Target = Estimated \$9.5M**

**ALL ADJUSTMENTS ARE MADE TO THE UNRESTRICTED GENERAL FUNDS**

## Staff

### Options

- Stip Subs (45 of 98 FTE req'd)
- Temp Teachers (~200 FTE)
- Classified layoffs
- Donations of time (unpaid work)

### Options

- Vacancies
- Donations of time (unpaid work)
- Classified FTE layoffs

## Non-Staff & Positive Pay

### Options |

- Books & Supplies
- Encumbered & Balance in contracts
- Overtime, Extra-time

### Options |

- Books & Supplies
- Encumbered & Balance in contracts
- Overtime, Extra-time

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

# Board Engagement Budget Timeline

Date	Engagement
Monday, 11/20	Mid Year Adjustment Leads meeting to finalize calculations and impact statements
Wednesday, 11/22	Mid Year Adjustment Presentation Materials Submission to the board staff to be posted
Monday, 11/27	Special Board Meeting: First Read of Resolution: Presenting all recommendations and board JUST voting on central reductions
Wednesday, 12/6	Budget & Finance Committee: (First Interim, FCMAT implementation plan, Update on Multi-year projections and 18-19 budget calendar)
Friday 12/7	Special Board Meeting: Board 17-18 Reduction Resolution Review: Debrief 11/27 meeting and discuss decision for 12/13.
Wednesday 12/13	<b>Regular BOE Meeting-</b> Topics: First Interim, 2017/18 Resolution, part II, FCMAT Implementation, Updates, Postponed items [Final vote of resolution: vote on layoffs and school sites]

# WHAT WE ARE DOING TO ENSURE FISCAL VITALITY?

### **FCMAT Implementation Plan:**

- **Presented to the Board of Directors on December, 13, 2017**
- **Provide detailed information on the steps the district will take to address the issues that are detailed in this report and to ensure we are on the path to fiscal vitality.**

### **Superintendent Immediate Actions:**

- **Cross-divisional leadership teams to work collectively to problem solve and create systems for fiscal vitality.**
- **Monthly Monitoring all school and central site budgets.**
- **Professional guidance and support from West Ed ( multi-year budget projections, budget prioritization and development for 18-19)**

# Steps Toward Fiscal Vitality: Slow Down Spending

Allocate funding for unbudgeted items	Identify unfunded Collective Bargaining agreements items	Review & Comply with Board Policies	Explore Other Ideas
<p>By Oct. 15 budget for</p> <ul style="list-style-type: none"> <li>-Extended contracts</li> <li>-Overtime</li> <li>-Extra time (PT)</li> <li>-Reimbursements</li> <li>-Conferences</li> <li>-Subs</li> </ul>	<p>By Oct. 15 budget for</p> <ul style="list-style-type: none"> <li>-OEA stipend for personal interview stipends</li> <li>-Sub sick leave</li> </ul>	<p>In Oct-Dec</p> <ul style="list-style-type: none"> <li>-MOUs</li> <li>-Contracts</li> <li>-</li> <li>Reimbursemen t</li> <li>-Donations</li> <li>-Hiring</li> </ul>	<ul style="list-style-type: none"> <li>-No Go Fund Me</li> <li>-Donors Choose?</li> <li>-Burn Rate Reports</li> <li>-Superintendent &amp; CFO departmental budget reviews</li> <li>-Deputy Chief CSI &amp; CFO school budget reviews</li> </ul>

# Let's Work Together



[Have More Suggestions to Save Money?](#)

# **EVERY STUDENT THRIVES!**



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[www.ousd.org](http://www.ousd.org)



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