

**Resolution
of the
Board of Education
of the
Oakland Unified School District**

Resolution No. 1718-0087A

**Confirming The District's Commitment To Fiscal Solvency
(As Amended)**

WHEREAS, the Closing of the Books for Fiscal Year 2016-2017 revealed: 1) A \$9.1 million increase in expenditures over levels projected in the 2016-2017 Third Interim Report; 2) OUSD ended the fiscal year \$8 million short of maintaining its 2% Reserve for Economic Uncertainties, a state-mandated requirement; and 3) OUSD used \$8 million from the Self-Insurance Fund to pay for General Fund expenses, leaving the Self-Insurance Fund with a balance of \$6.8 million; and

WHEREAS, the District's September 2017 budget revisions revealed that there were \$4.4 million unbudgeted for expenses; and

WHEREAS, the District is faced with significant additional PERS and STRS contribution for fiscal years 2014-15 through 2024-25; and employee benefits, including PERS and STRS, are projected to rise by \$8.2 million for the 2018-19 school year; and

WHEREAS, despite increased revenue from the implementation of Local Control Funding Formula, the District has experienced flat attendance over the past five years and has not made structural changes to its systems to account for the reduction from 50,000 student population decades ago to current approximation of 36,000; and

WHEREAS, increased expenditures and fluctuations between adopted and actual budgets in several budgetary areas, particularly in the following areas: Books & Supplies, Professional & Consulting Services, Certificated Supervisors & Administrators, and Classified Supervisors & Administrators (see attached); and

WHEREAS, the Board of Education recognizes that the current multi-year projection indicates that the District will need to identify expenditure reductions and/or revenue enhancements for each of the coming three school years and additionally; and

WHEREAS, the Board of Education has been advised of the risk of a qualified or negative interim certification and/or fiscal insolvency if such budget balancing solutions are not realized for 2017-18; and

WHEREAS, the Board of Education believes cuts to school site budgets should only be made as a last resort, if needed to maintain the District's fiscal solvency. If cuts to school sites are necessary, they

should be handled equitably, recognizing that each of our schools experiences varied fiscal realities and economic conditions; and

WHEREAS, the Board of Education would restore funds to schools if additional funding is obtained by the State or via other means in a manner that is consistent with the value of Equity and reducing impact to the most vulnerable school populations;

NOW, THEREFORE, BE IT RESOLVED that for Step 1, in order to ensure that Oakland Unified School District remains fiscally solvent, and in accordance with the conditions of approval for the District's 2017-18 Adopted Budget as required by the County Superintendent, the Board of Education hereby directs the Superintendent of Schools to make \$9 million in reductions to the 2017-18 school year adopted budget to support the following priorities:

- \$1.1 million to restore the reserve for economic uncertainty to the state mandated minimum.
- \$4 million to support unspecified risks identified by the Superintendent in her December 7 presentation, this amount to be held in the Board's reserve for economic uncertainty in alignment with Board policy
- \$3.9 million to support specified risks identified by the Superintendent in her December 7, 2017 presentation on our budget
- Set aside any one-time funds from the State to continue to build the reserve for economic uncertainty; and

BE IT FURTHER RESOLVED that 2017-18 adjustments should maximize dollars to school sites (BP 3150 Results Based Budgeting); ensure shared-decision making across stakeholders (BP 3625 School Governance Policy); and prioritize narrowing the academic and opportunity gaps between the highest and lowest performing students (BP 5032 Equity Policy) with the following priorities:

- a. Maximize the percentage of all OUSD revenues to be distributed to schools
- b. Preserve basic and critical services for highest needs students where school communities lack access to alternative funding streams or other resources acquired
- c. Equitably distribute financial resources based on the different needs and life circumstances of students
- d. Provide transparent communication around the impact of budget cuts for each site in order to more effectively harness our resources as a City and develop shared responsibility and solutions to support Oakland students
- e. Support district and school leaders and school communities to develop shared equitable solutions for every student in the District; and

BE IT FURTHER RESOLVED that in January 2018, the Superintendent will report to the Board on her progress identifying the \$400,000 in midyear adjustment listed in her December 13th presentation 'to be determined' and the plan for distributing those funds to school sites with high-needs students during Spring 2018; and

BE IT FURTHER RESOLVED that for Step 2, in order to ensure that Oakland Unified School District improves its fiscal condition, the Board of Education is committed to the following adjustments to the 2018-19 school year adopted budget to support the following priorities for 2018-19:

- Build the reserve for economic uncertainty to at least 3 percent in alignment with Board policy
- Contribute an amount necessary to rebuild the Self Insurance Fund to a minimum level of 40 percent of the actuary by the end of the 2021-22 school year as part of a plan to restore the fund
- Set aside any one-time funds from the State to continue to build the reserve for economic uncertainty; and

BE IT FURTHER RESOLVED for Step 3, in order to ensure the Oakland Unified School District continues to work towards fiscal vitality and maximize funding to schools, the District will adhere to the following criteria for 2018-19:

- a. Implement zero based budgeting for all central and central services to schools departments in order to maximize resources for school based budgeting based on equity and in alignment with BP 3150
- b. Reexamine the base allocation formula for all school sites for the 18-19 year to ensure schools have sufficient resources to support improved student outcomes
- c. Implement BP 3150 allocation of 88% to schools; 12% to Central. Central Office to be defined as core functions. The Superintendent shall recommend to the Board of Education the composition of core functions no later than the beginning of March 2018.
- d. Ensure all budget recommendations are justified in alignment with the board budget prioritization criteria produced by the Budget and Finance Committee (see attached) and the principles outlined above in Step 1
- e. Convene districtwide meetings to promote shared decision making in the development of plans and budgets at the district and school site levels in line with the district's Theory of Action, Board Policy 3625 and the Local Control Funding Formula. These meetings may be of the School Site Council, Local Control Accountability Plan Parent Student Advisory Committee, Community Advisory Council, and informal meetings as determined by the Superintendent or her designee; and

BE IT FURTHER RESOLVED for Step 4, that the preliminary 2018-19 school year budget, be presented to the Board of Education by the second regular Board meeting in January and includes details in how the District will meet the goals delineated in Step 2 as well as the projected increases in PERS and STRS; and

BE IT FURTHER RESOLVED that the reductions outlined above shall be reflected and incorporated into the District's 2017-18 Second Interim Report and Multi-Year Projection, and shall be implemented immediately, no later than January 1, 2018.

Certification

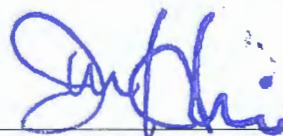
PASSED AND ADOPTED by the Governing Board of the Oakland Unified School District on this 13th day of December, 2017 by the following vote:

AYES: Jody London, Aimee Eng, Jumoke Hinton Hodge, Shanthi Gonzales, Vice President
Nina Senn, President James Harris

NOES: Roseanne Torres

ABSENT: None

ABSTENTIONS: None

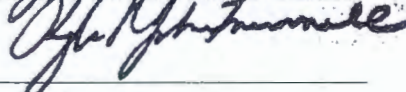


James Harris

President

Board of Education

Oakland Unified School District




Kyla Johnson- Trammell

Secretary

Board of Education

Oakland Unified School District

File ID Number: 17-2586
Introduction Date: 12-13-17
Enactment Number: 17-1702
Enactment Date: 12-13-17
By: 

Attachment 1: Recent Fluctuations and Expenditure Increases

Attachment 2: Guiding Principles Regarding Budget Development and Prioritization

(adopted by the Budget and Finance Committee October 4, 2017)

Attachment 1: Recent Fluctuations and Expenditure Increases

1. Over the past four completed fiscal years, total spending in Books & Supplies has fluctuated, but has never met or exceeded its original budgeted amount.

Fiscal Year	Budgeted	Actual
2013-2014	\$12,551,643	\$12,364,422
2014-2015	\$10,060,946	\$8,323,758
2015-2016	\$18,649,331	\$12,366,086
2016-2017	\$20,116,023	\$6,817,615

2. Over the past four completed fiscal years, total spending in Professional & Consulting Services has steadily increased, and has always exceeded its original budgeted amount.

Fiscal Year	Budgeted	Actual
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2013-2014	\$7,109,479	\$22,692,840
2014-2015	\$20,698,679	\$23,802,726
2015-2016	\$20,479,321	\$29,396,665
2016-2017	\$21,452,717	\$28,298,078

3. Over the past four completed fiscal years, total spending in Certificated Supervisors & Administrators has steadily increased by 43%, and has exceeded its original budgeted amount each year for the last three years.

Fiscal Year	Budgeted	Actual
2013-2014	\$13,844,243	\$13,906,595
2014-2015	\$13,983,354	\$15,261,544
2015-2016	\$15,715,182	\$19,773,226
2016-2017	\$18,997,774	\$20,010,231

4. Over the past four completed fiscal years, total spending in Classified Supervisors & Administrators has dramatically increased by 69%, and has exceeded its original budgeted amount by over 100% each year over the past two years.

Fiscal Year	Budgeted	Actual
2013-2014	\$12,193,285	\$13,141,477
2014-2015	\$11,093,287	\$15,139,680
2015-2016	\$9,661,823	\$20,167,289
2016-2017	\$10,404,809	\$22,285,807

Attachment 2: Guiding Principles Regarding Budget Development and Prioritization
(adopted by the Budget and Finance Committee October 4, 2017)

- Student First: Understanding the impact of decision on students.
- Data-driven decisions aligned to Theory of Action, Strategic Plan and LCAP.
 - Reviewing student-level data and incorporating feedback from the previous year budget development process and assessing effectiveness to inform decisions.
 - Engaging key stakeholders and incorporating their feedback into the budget process to the extent feasible given mandatory timelines.
 - In line with the district’s Theory of Action, resources and dollars at the school sites should be protected.
- Adhering to best fiscal practices in order to position OUSD for improved short and long-term fiscal health.
 - Understanding short and long-term impact of key fiscal, programmatic and operational decisions.
 - Identifying and understanding the level of risk embedding in key fiscal decisions.

- 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.

2017-18 Mid Year Adjustments: Addressing the Board Resolution on Fiscal Solvency Wednesday, December 13, 2017



Presented by: Kyla Johnson-Trammell, Superintendent
To: OUSD Board of Education



Outcomes



- To recommend an adjusted target based on the First Interim Report
- To inform the board on the actions staff will take to implement mid-year adjustments
- To highlight areas for the community to support

Fiscal Solvency Board Resolution Based on September Budget Information

2017-18 Target: \$15.1 Million **Solvency:**

- \$1.2M restore required reserve
- \$7.2M increase the reserve (contingencies)
- \$4.7M restricted programs

Fiscal Vitality for Long Term:

- \$2.0M Self Insurance fund

Confirming The District's Commitment To Fiscal Solvency

NOW, THEREFORE, BE IT RESOLVED that for Step 1, in order to ensure that Oakland Unified School District remains fiscally solvent, and in accordance with the conditions of approval for the District's 2017-18 Adopted Budget as required by the County Superintendent, the Board of Education is committed to the following adjustments -- totaling \$15.1 million -- to the 2017-18 school year adopted budget to support the following priorities:

- \$1.2 million to restore the reserve for economic uncertainty to the state mandated minimum.
- \$7.2 million to increase the reserve for economic uncertainty in alignment with Board policy
- \$4.7 million to increase the District's contribution to restricted programs
- \$2.0 million to begin rebuilding the Self Insurance fund; and

BE IT FURTHER RESOLVED that for Step 2, in order to ensure that Oakland Unified School District improves its fiscal condition, the Board of Education is committed to the following adjustments -- totaling \$11.2 million -- to the 2018-19 school year adopted budget to support the following priorities for 2018-19:

- \$5.2 million to continue to build the reserve for economic uncertainty in alignment with Board policy
- \$6 million to rebuild the Self-Insurance Fund back to the level at the beginning of the 2016-17 school year; and

BE IT FURTHER RESOLVED for Step 3, that the preliminary 2018-19 school year budget, be presented to the Board of Education by December 13th and includes details in how the District will meet the goals delineated in Step 2 as well as the projected increases in PERS and STRS; and



Updated Recommendation Based on 1st Interim

Although 1st Interim now incorporates many items unfunded at budget adoption, we recommend savings beyond the \$1.1M shortfall projected at 1st Interim to ensure we can cover specified and unspecified risks and close the year above the 2% minimum reserve.

Projected Shortfall
Amount below the 2% requirement already projected by 1st Interim.
\$1.1M



Specified Risks
Costs not projected in 1st Interim, but suggested by analysis of trends in specific programs & costs.
\$3.9M



Unspecified Risks
Costs not projected in 1st Interim, but suggested by historic fluctuations between 1st Interim and year-end. **\$4.0M**



Recommended Adjustments of \$9 Million

Revised recommendation of revenue increases, costs savings or expenditure reductions needed in Unrestricted General Funds to ensure meeting 2% reserve requirement at year-end.



Costs not Projected in the First Interim

Specified Risks \$3.9M

Known Risks Include:

- ⇒ Special Education Services (\$1.2M)
- ⇒ Transportation (\$0.6M)
- ⇒ Food Service Programs (\$0.6M)
- ⇒ Substitute Costs (\$0.7M)
- ⇒ Outstanding Invoices (\$0.8M)

Unspecified Risks \$4.0M

Examples of unforeseen costs:

- ⇒ Arbitrations
- ⇒ Unknown Future Invoices
- ⇒ Audit Findings

What is Needed? Collaboration Across OUSD

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

- Limiting the impact of reductions to programs and services that directly support students
- Committing to a culture of savings and operating within our budget



Where is the Money? School & Central Budgets

Schools = \$250M

- Includes ~\$30M site-paid central staff (e.g. custodians, nurses, school security officers, restorative justice coordinators)

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

- Excludes ~\$71M in required contributions to restricted programs - RRMA (routine repair and maintenance of facilities), Cafeteria Fund and Special Education

- Includes ~\$7M of District-wide expenses

Central Office Adjustments



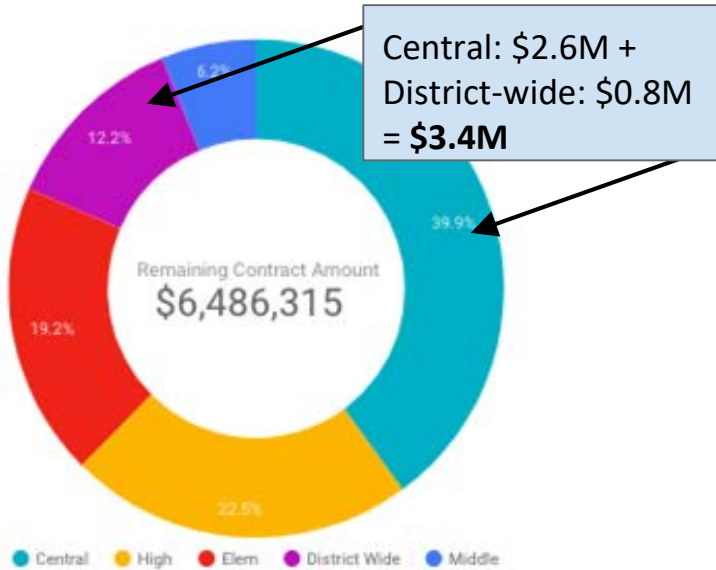
How we got to our proposed central office adjustments?

Step 1: Finance Team Identified Savings/Reduction Options (what was on the list and what came off)

Step 2: Senior Leadership Retreat to evaluate options based on impact on programs and services that directly support students, ease (lack of constraints) of implementation and cost savings

Central Office Adjustments: Contracts

Remaining Amounts - Unrestricted



Remaining Amounts - Restricted



Of the **\$28.8M** of existing contracted services, there was **\$3.4M** of remaining balance on Central Office Contracts budgeted with Unrestricted Funds as of November 14th.

Central Office Adjustments: Contracts

Vendor Name	Contract Amount	Amount Paid	Remaining Amount	Remaining Percent
1. 1ST AMERICAN TRANSIT LLC	\$600,000	\$489,926	\$511,074	85%
2. FRIENDLY TRANSPORTATION	\$600,000	\$116,411	\$483,589	81%
3. MICHAELS TRANSPORTATION	\$400,000	\$76,450	\$323,550	81%
	\$309,200	\$0	\$309,200	100%
	\$530,200	\$329,600	\$200,700	38%
	\$170,000	\$33,000	\$137,000	81%
	\$170,000	\$0	\$170,000	100%
	\$100,000	\$0	\$100,000	100%

Of the \$3.4 M of remaining balance, most contracts are for needed services:

For More Information Visit:
Fiscal Transparency Website
www.ousd.org/fiscaltransparency

Top 20 Contracts:

- **\$1.5M for Student Transportation**
- **\$500K for Finance Support** (e.g. State Trustee, Budget Development Improvements, Internal Controls)
- **\$740K for Direct Services to Students** (e.g. Credit Recovery for students, mental health services)
- **\$38K for Security**

14. BAY AREA COMMUNITY CONNECTION	\$50,000	\$39,284	\$40,000	38%
15. WADSWORTH, KATE	\$80,000	\$0	\$38,234	
16. ATTITUDINAL HEALING CONNECTION	\$40,000	\$61,706	\$3,381,893	56%
17. SCHOOL SERVICES OF CALIFORNIA	\$100,000	\$0		
18. CHRISTMAS, TROY	\$6,000,884	\$2,679,940		
19. MEAD, SPENCER				
20. FIRST ALARM SECURITY & PATROL				

Grand total

* Table includes Central Office departments and District-wide expense. As of 11/14/2017 there was roughly \$3.4M in remaining amounts to be paid on existing contracts (i.e. 56% of the original total).



Central Office Adjustments: Contracts

Contracts \$0.4 Million

- \$0.2M for existing professional service contracts
- \$0.2M for funds allocated to pay for future professional service contracts



Central Office Adjustments: Books & Supplies

Books & Supplies \$0.5 Million

\$0.5M reducing funds available to purchase supplies and equipment

Central Office Adjustments: FTE Adjustments

FTE Reduction & Realignment Funding Sources \$2.1 Million

Type of Action	Number of Impacted FTE	Number of Impacted Employees	Total Savings
Position elimination	23.82	26	\$0.75M
Reduction of FTE	15.80	16	\$0.06M
Realigned funding sources for FTE	21.08	28	\$1.35M
Grand Total	60.7	70	\$2.16M

- 61% of the proposed staffing eliminations/reductions are categorized as management
- 28% of the proposed staffing eliminations/reductions are categorized as clerical
- 11% of the proposed staffing eliminations/reductions are categorized as classified support.



Central Office Adjustments: Donations & Furloughs

Buildings & Grounds Furlough and Leadership Donations in Lieu of Furlough **\$0.2 Million**

Senior Leadership made donations of 5-10 unpaid work days which we expect to have minimal operational impact.

Buildings Construction and Trade Union (“BTC”) agreed to furlough days.*

* We continue active discussions with all union partners to minimize position eliminations through strategies like furloughs.



Central Office Adjustments: Maximizing Restricted Resources

Maximizing Restricted Resources \$1.6 Million

- Review Title II, III
- Review Educator Effectiveness
- Review other Federally Restricted Resources

Central Office Adjustments: Currently Unidentified Reduction

Unidentified Reduction **\$0.4 Million**

A commitment to find an additional \$0.4M from other sources currently unidentified. Likely sources include supplies, equipment, contracts.

School Site Adjustments



How we got to our proposed school site adjustments?

Step 1: All Principal meeting to review [Finance Team Identified Savings/Reduction Options](#) and make recommendations from school site perspective. School Leaders recommended site decision making in how to make reductions.

Step 2: Staff considered a percentage reduction to all sites and a per pupil reduction and found the per pupil reduction was more equitable.

Step 3: [Memo](#) sent to principals indicating target amounts and recommendations for reductions at school sites.



School Site Adjustments: School Site Decisions Based on a per Pupil Amount

School Site Total Reductions

\$3.8 Million

Top categories of school site reductions:

Non-Staff & Positive Pay

- Supplies
- Extended Contracts
- Overtime/Extra Time

Staff


- STIP Subs (sub teachers working full year)
- Reductions to Classified Positions (e.g. reducing 1.0 to 0.5 FTE)
- Eliminating Classified Positions
- Temporary Certificated Staff (200 FTE currently)
- Not Filling a Vacancy

Getting to \$9 Million Target of Additional Reductions

Amount	Adjustment
\$3.8M	School Site Adjustments*
\$2.1M	FTE Adjustments (eliminations, reductions, realigned funding source)**
\$1.6M	Maximize Restricted Resources (e.g. Title 1, 2 & 3)
\$0.5M	Books & Supplies
\$0.4M	Contracts
\$0.4M	Undesignated reduction
\$0.2M	Donations & Furloughs
\$9.0M	TOTAL

\$9M represents:

- \$5.2M = Central Office Unrestricted Revenue
- \$3.8M = School Site Unrestricted Revenue



* Not including \$1M in school site vacancies and \$0.4M for fall revision adjustments already accounted for in first interim

** Not including \$0.6M in central office vacancies already accounted for in first interim



Total Budget Reductions

	Schools	Central Services
Adjustments already incorporated in 1st Interim Budget Report (\$2 Million)	<ul style="list-style-type: none"> ● \$0.4M in enrollment-based budget adjustments (Fall Revisions) ● \$1.0M vacancy savings for temporary or permanently unfilled positions 	<ul style="list-style-type: none"> ● \$0.6M vacancy savings for temporary or permanently unfilled positions
Recommended Additional \$9 Million Mid Year Adjustments	<ul style="list-style-type: none"> ● \$3.8M with site-by-site target based on per pupil amount 	<ul style="list-style-type: none"> ● \$5.2M across multiple adjustment areas
	\$5.2M (2.0% of Schools Unrestricted Revenue)	\$5.8M (7.8% of Central Unrestricted Revenue)

Improved Budget Management Practices Underway

1. Tighter purchasing procedures

- A. Purchase Orders required for all transactions and prior to; reimbursements for required travel, conferences, professional development, supplies, and mileage.
- B. Blanket Purchase Orders only allowed for district-wide books, instructional materials and meal program food and supplies.
- C. Details of the purchases must be itemized with a detailed description for all goods and services, including sales taxes and shipping costs, if applicable.
- D. Requisitions or Purchase Orders must be coded correctly for the type of purchase.

2. Assign budget for planned but not budgeted expenses

- A. Extended Contracts
- B. Overtime/Extra Time
- C. Itemized Reimbursements (identify what the reimbursement is for)
- D. Mandatory Conferences
- E. Substitutes costs

Budget Management Practices (cont.)

3. Spending restraints

- A. No spending on Food and Refreshments for meetings.
- B. No spending on out-of-state travel.
- C. Limit spending on supplies.
- D. Hiring Freeze

4. Contracts

All administrators should work to **limit or cancel spending** on service contracts which must be in line with our [Board Policy 3312](#).

* These budget management practices and others will be covered in the upcoming Fiscal Vitality Plan - 1st read - December 13th Board Meeting.



Committed to Fiscal Vitality





Here is What We Can Do

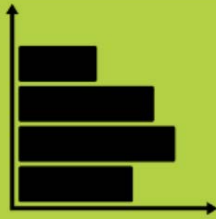


- **Attendance Campaign**
 - Student campaign for increase attendance (*If every student came to school just two more days = \$3.9M*)
 - Improve practices for taking daily attendance
- **Student and Family Recruitment**
- **Volunteer Opportunities:** Classroom teachers are looking for classroom support. Go to www.oaklandschoolvolunteers to lend a helping hand.
- **A-Z Fund**
 - The Ed Fund will open a grant cycle for A-Z Fund in January of 2017. This will make available grants of upto \$1,500 to support arts, music, field trips, and activities.

Stay Informed: Fiscal Transparency Website



Reports & Presentations



Interactive Tools

- ✓ School Finance Overview & Glossary
- ✓ Budget Updates Blog
- ✓ Past Presentations & Financial Records
- ✓ Historical Spending Reports
- ✓ Historical Staffing Reports
- ✓ Interactive Monthly Spending Dashboard
- ✓ Savings Suggestion Box
- ✓ Ways to Get Involved

<https://www.ousd.org/fiscaltransparency>

: iam OUSD 🌳



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

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