



# 2018-2020 Fiscal Vitality Implementation Plan Update 2

May 23, 2018



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To: OUSD Board of Education

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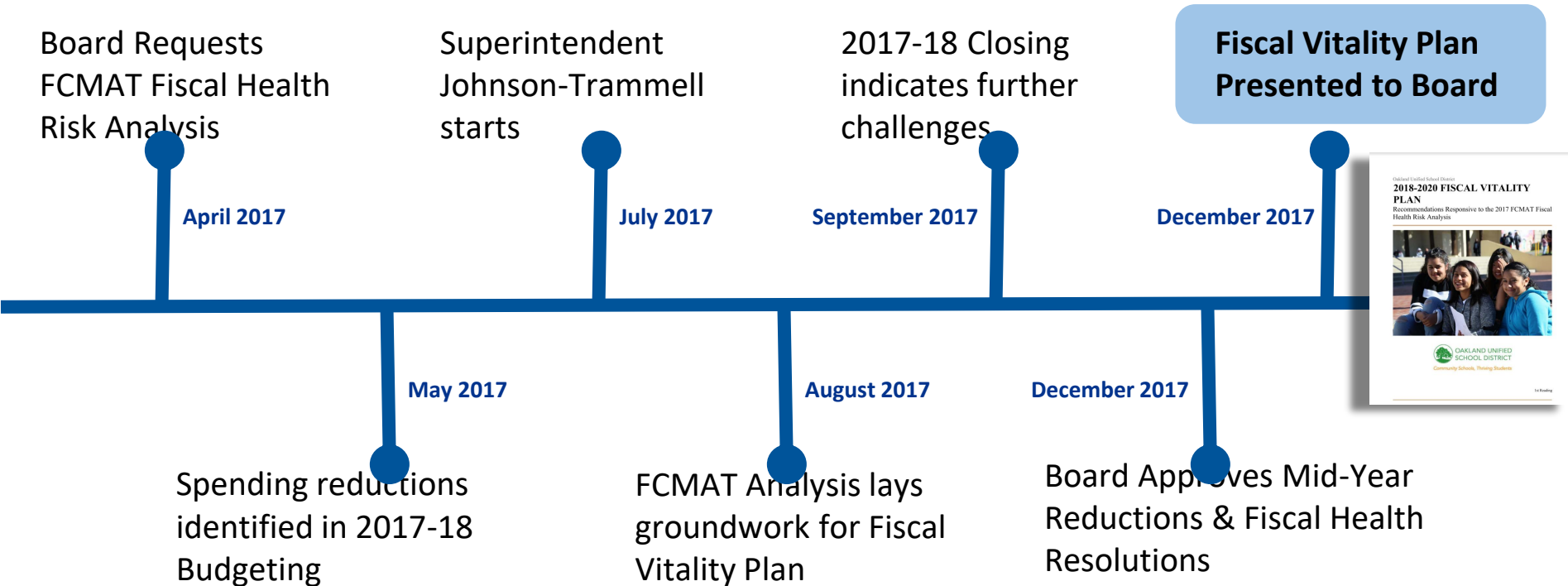
# Outcomes

## Update on Fiscal Vitality Plan

- ❖ Outline of Required Steps
- ❖ Report on Progress to Date
- ❖ Review of Next Steps

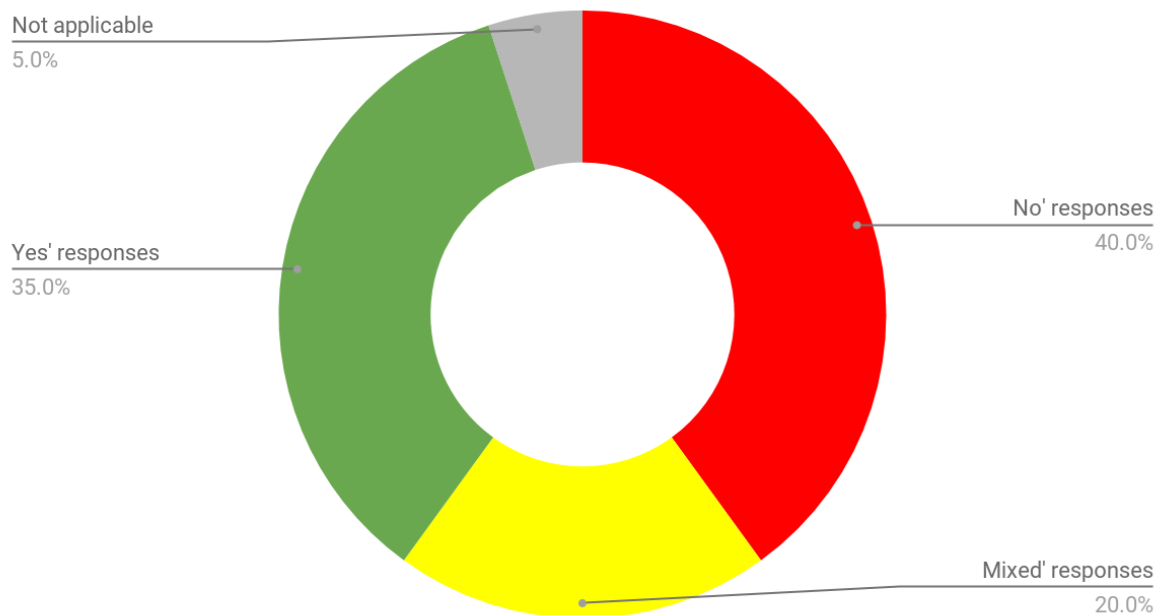


# Our Journey Toward Fiscal Vitality is ongoing . . .



# Summary of FCMAT Risk Factors

FCMAT Risk Analysis by Response Type



OUSD rated “No” or “Mixed” in 12 of 20 areas of fiscal health.

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

# Fiscal Vitality Plan Identified 3 Overlapping Phases

## Stability (1 - 6 months)

- 2017-18 Mid-Year Adjustments
- Begin Improved Monitoring Practices

## Recovery (3 - 12 months)

- Improve Forecasting in 18-19 Budget Development
- Establishing Internal Controls
- ESCAPE Information System Transition

## Vitality (6 - 18 months)

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



# FCMAT Risk Factors “NO” Rating Crosswalk

FCMAT Risk Factors with “NO” Rating	Summary of FCMAT Recommendations	Reference to Fiscal Vitality Plan Phases and Recommendations
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
Fund Balance	Monitor contributions and transfers to restricted programs	Stability: 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7
Encroachment	Cost containment for Special Education, Nutrition Services, and Early Childhood Education	Stability: 1.7
Deficit Spending	Adopt a plan to eliminate deficit spending	Recovery: 2.1, 2.2, 2.3, 2.4
Budget Monitoring and Updates	Budget exception framework	Recovery: 2.4
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
Leadership Stability	Culture and practices that promote and support systematic reform	Vitality: 3.1, 3.2, 3.3
Bargaining Agreements	Bargaining beyond COLA must be supported by available fund balance	Vitality: 3.2

# 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



# Mid Year Adjustments Sought to Cover Any Shortfall

Projected	Current	Adjustment	Notes
\$3.8M	\$3.72M	School Site Adjustments	Incl. eliminations, reductions and movement to restricted
\$2.1M	\$2.30M	Central Office FTE Adjustments	FTE eliminations, reductions and movement to restricted
\$1.6M	\$0.10M	Central Office Maximize Restricted Resources	Projected adjustments were not captured due to a focus on ensuring compliance and minimizing unintended consequences (e.g. audit findings)
\$0.5M	\$0.79M	Central Office Books & Supplies	\$0.29M adjustments from 4000s
\$0.4M		Central Office Contracts	\$0.5M adjustments from 5000s
\$0.4M	--	Central Office Undesignated reduction	Projected adjustments were not captured- no additional area of savings was identified
\$0.25M	\$0.25M	Central Office Donations & Furloughs	Central Office Senior Leader donations fully realized
<b>\$9.0M</b>	<b>\$7.16M</b>	<b>TOTAL</b>	



# Plan to Restore Reserves - Mid-Year Adjustments

**\$5.7M**

Additional Costs  
since 1st Interim

Restricted  
Programs Costs

Health Benefit  
Contribution

Unpaid 2016-17  
Invoices

Legal/Labor  
Settlements

Subs/Overtime  
/Extra-time

Reinstated  
Positions

**\$7.16M**

Savings realized  
since 1st Interim

Mid-Year  
Adjustments

## Result:

Based on current working budget, \$1.4M in projected savings available to cover the \$1.1M shortfall identified at 1st Interim & any other shortfall.

Changes in revenue and other risks will impact actual results

# 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.	Frequent review of cost projections and updating of budgeted needs. Identified cost savings in Early Childhood	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.	Refine MYP tool to incorporate better use of historical data. 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, primarily invoices.
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).	Coordination among staff, State Trustee, and WestEd on budget assumptions. Better inclusion of historical and current info.	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 and central allocations complete and within available funds	Complete allocation of non-labor expenses in progress for central office departments based in zero-based protocol
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.	Phase I completed including net reduction of 31.5 FTE. Revised organizational chart that reflects clear reporting relationships and functional responsibilities.	Implementation of realigned work and communication of modified roles and 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.	On hold	Schedule training sessions
2.5 Review, update, and implement position control practices	Regularly reconcile payroll, budget and position control reports to identify misaligned information.	Underlying data comparison tools created and variances being monitored and addressed	Train additional staff to run, analyze and report data from reconciliation tools. Apply similar methods to ESCAPE
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.	Analysis of current situation and recommendations being prepared by WestEd.	Review Recommendations and build appropriate monitoring and review processes.

# 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





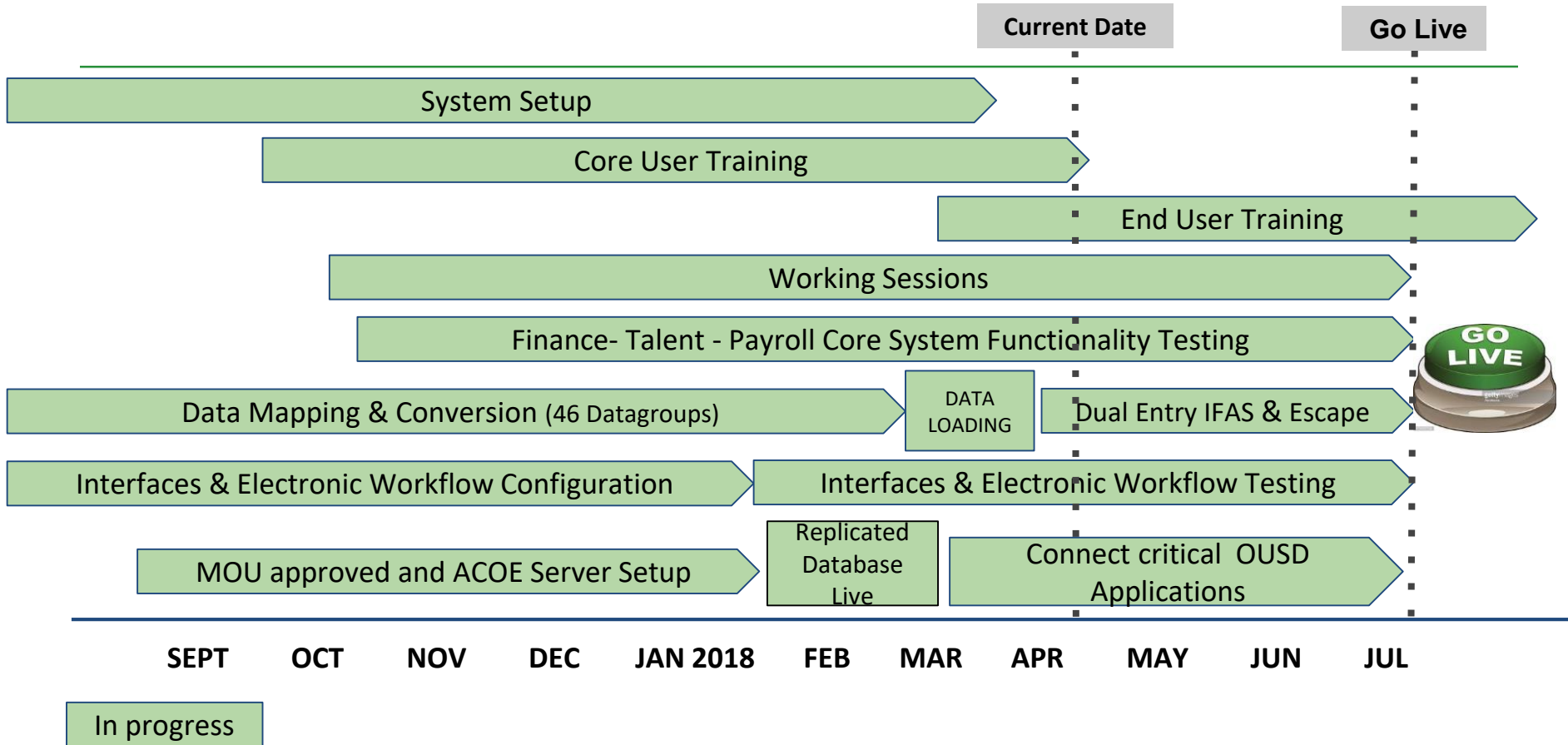
# Escape Implementation Progress to Date

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	<p>Completed since last update (Apr)</p> <ul style="list-style-type: none"> <li>• 31 of 46 critical datasets loaded</li> <li>• Ongoing dual entry of data into ESCAPE &amp; IFAS</li> <li>• Ongoing integration of key applications (e.g. Contracts Online)</li> <li>• Ongoing Training</li> </ul>	<ul style="list-style-type: none"> <li>• Additional core training and working sessions</li> <li>• Dual data entry phase (IFAS &amp; Escape)</li> <li>• Test core system functionalities</li> <li>• End user training sessions</li> <li>• Configuration and testing of interfaces and key electronic workflows</li> </ul>

# PHASE I IMPLEMENTATION TIMELINE



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SCHOOL DISTRICT**  
*Community Schools, Thriving Students*



# Escape Budget Summary

One Time Implementation Costs	Y1: 16/17	Y2: 17/18
Budget	\$264,750	\$353,013
Actual	\$106,525	\$296,655
Estimate to Complete		\$180,000
Estimate at Complete		\$476,655
Differential	\$158,225	-\$123,642

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 \$296,655
- Estimate to complete \$140,000
- Estimate at complete \$436,655
- Over budget by \$83,642 however still below overall budget of \$617,773

The 2017-18 overage is due to our need for additional staff training and additional custom development.

Escape offers further improvements (i.e. online timesheets, electronic leaves, etc.) that the District can benefit from (Phase II). This requires an additional budget for 2018-19. Next steps:

- Obtain quote from ACOE/Escape for Phase II
- Make final decision on improvements we will implement

# 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 by August 2018.

# 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.  Hired CBO and Interim CFO	Hire new 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.

# Board Questions & Public Comment

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