

BOARD OF EDUCATION OF THE CITY OF LOS ANGELES
Governing Board of the Los Angeles Unified School District

SPECIAL BUDGET AND FINANCE COMMITTEE

10 a.m., Tuesday, December 2, 2003
333 South Beaudry Avenue - Board Room

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LAUSD-BOARD
SECRETARIAT

- I. OPENING REMARKS Mr. José Huizar, Chairperson

- II. PROPOSED BUDGET PRINCIPLES AND PROCEDURES Mr. Tim Buresh, Chief Operating Officer
Mr. Ken Gotsch, Chief Financial Officer
 - a. Draft Budget And Finance Policies

- III. FIRST INTERIM BUDGET REPORT Mr. Ken Gotsch
 - a. Preliminary Report On The District's Budget Processes And Financial Condition

- IV. SPEAKERS TO AGENDA ITEMS

- V. DISCUSSION BY BOARD MEMBERS

- VI. ADJOURNMENT

Members Of The Public Who Wish To Address The Board Regarding Items On This Agenda Should Call The Board Secretariat At Area Code (213) 241-7002 or Toll Free (877) 772-6273, Prior To 9:00 A.M. The Day Of The Meeting To Determine If They May Be Added To The Speakers' List.

Please note that if you are being compensated for speaking before the Board or with a Board Member as a salesperson, vendor, advocate, lobbyist, lawyer or even concerned citizen, you may be required to register as a lobbyist with the LAUSD Ethics Office [check www.lausd.net/ethics or call (213) 241-3330].

LOS ANGELES UNIFIED SCHOOL DISTRICT
Inter-Office Correspondence

INFORMATIVE

TO: Special Committee on Budget & Finance
Roy Romer

Date: November 25, 2003

FROM: Kenneth C. Gotsch, Chief Financial Officer

SUBJECT: INTERIM REPORTS

The First Interim Financial Report will be presented to the Board for action on December 9th. Board Staff requested that the Budget Committee, meeting on December 2nd, receive the report for review. District staff is unable to provide the report as it is still being prepared. In lieu of the state prescribed report, the following information is provided.

Education Code (EC) §42130 requires two interim reports be submitted within 45 days after the close of the period being reported in a format prescribed by the Superintendent of Public Instruction. First interim report covers the financial and budgetary status of districts for the period July 1 through October 31, and the report is due by December 15 to the Los Angeles County Office of Education. Second interim report covers the period July 1 through January 31, and the report is due March 16.

The interim reports must be approved by the district governing board, with a certification whether or not the district is able to meet its financial obligations for the remainder of the fiscal year, and for the subsequent two fiscal years.

Three types of certification exist:

- Positive—district will meet financial obligations for the current fiscal year and subsequent two fiscal years.
- Qualified—district may not meet its financial obligations of either the current fiscal year or two subsequent fiscal years.
- Negative—district is unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

The county office of education reviews all certifications and can change a Positive certification to Negative or Qualified.

Negative or Qualified Certifications

- The county superintendent may do any of the following:
 - assign a fiscal expert to advise the district on its financial problems
 - conduct a study of the financial and budgetary conditions of the district
 - require the district to submit a financial projection of all fund and cash balances as of June 30 of the current and subsequent fiscal years
 - require encumbrance of contracts and obligations, cash-flow analyses and monthly or quarterly budget revisions and recording of receivables and payables
 - require submission of proposal addressing the fiscal conditions that resulted in the inability to meet all financial obligations

- withhold compensation of members of the governing board and superintendent for failure to provide requested financial information
- The State Controller's office may conduct an audit or review of the fiscal condition of any district having a negative or qualified certification.
- District may not issue non-voter approved debt (e.g., certificates of participation, tax anticipation notes, revenue bonds) in the current or subsequent fiscal years without county superintendent permission.
- District must prepare a third interim report for the period July 1 through April 30, due on June 1.

Preparation of the report is complex and time consuming. Interim reports are done for eight funds: General, Adult Education, Child Development, Health and Welfare, Workers' Compensation, Liability Self-Insurance, Special Reserve—FEMA Earthquake, and Special Reserve—FEMA Hazard Mitigation.

The General Fund is the largest fund, and reports unrestricted and restricted income and expenditures. For the report, data is collected by division, program, and object. This information is then summarized by program and object.

Six projection calculation formulas are used and staff reviews each projection to determine what projected number appears to be the most reasonable within the parameters of the given program (e.g., salary increase, funding change). Last year, staff determined that the unrestricted General Fund had 30,000 separate division, program, object information lines. General Accounting staff solicits expenditure projections from each division. In cases where figures seem outside the parameters, managers are contacted for more information.

In the categorical or specially funded programs, staff collects the data by school location and object codes and make projections at the base level. These numbers are then summarized by program, which is then incorporated into the General Fund. For the 2003-04 fiscal year, there are 575 grants, summarized in more than 13,000 lines of information.

Salary cost analyses are done by payroll calendars. Currently, the district has 29 calendars. For the large programs, such as norm teachers, additional analysis is performed by staffs who review expenditures for each pay period to determine any anomalies. Each of the different types of benefits, e.g., medical, dental, vision, retirement—PERS, STRS, PARS, OASDI, Medicare, disability insurance, unemployment insurance, workers' compensation, has a different factor, different population, and varying impacts. These must be examined individually.

All large non-salary and benefit expense categories (e.g., utilities) are reviewed.

All projections get reviewed by two levels of staff for reasonableness. Then these numbers are consolidated in fund summary.

The initial review of the tentative report by the Controller and Budget Director will occur on Wednesday, November 26th. Further analysis and revisions will take place on November 28-30. On December 1st, the report will be reviewed by the Chief Financial Officer (CFO) with final changes and report preparation occurring on December 2nd and 3rd.

Staff contacted other large districts requesting the date of the First Interim Report. Districts and dates were:

<u>District (by ADA)</u>	<u>Board Meeting</u>
Los Angeles USD	December 9
San Diego City USD	December 9
Long Beach USD	December 15
San Francisco USD	December 9
Pasadena USD	December 9
Inglewood USD	December 9

Work to date on the report is supporting the Superintendent's statement made in September when the Board adopted the 2003-04 budget that expenditures will exceed revenues by several hundreds of millions of dollars. Board members should expect to see a very small projected ending balance for 2003-04. The CFO will address this issue when this topic is taken up by the Controller.

KCG:ae


c: Tim Buresh
Rick Knott

LOS ANGELES UNIFIED SCHOOL DISTRICT

Inter-Office Correspondence

Office of the Chief Operating Officer

TO: Members, Special Committee on Budget and Finance **DATE:** December 2, 2003
Superintendent

FROM: Timothy Buresh 
Chief Operating Officer

SUBJECT: LAUSD BUDGET AND FINANCE POLICY

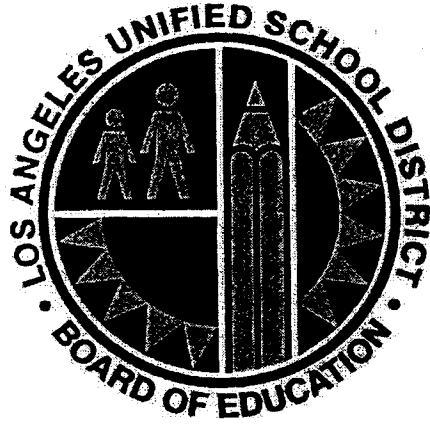
Attached please find a draft of the Los Angeles Unified School District Budget and Finance Policy for your review and comment. LAUSD does not currently have a written policy for Budget and Finance. Instead, the budgeting process has developed on an ad hoc basis, and relies on tradition supported by a rich oral history.

LAUSD is subject to accounting standards and rules as promulgated by the Governmental Accounting Standards Board (GASB), and financial management practices as promulgated by the National Advisory Council on State and Local Budgeting of the Government Finance Officers Association (GFOA).

Governmental Accounting Standards Board standards and rules have recently changed, requiring LAUSD to change its internal accounting standards. LAUSD is well on its way toward this compliance. Further, the Government Finance Officers Association recommends that government agencies develop a set of recommended budget practices to promote sound policy, guide budget development, and enhance the management of the agency's finances. Although this draft policy is in compliance with GASB rules and is based on the GFOA's recommendations, it has been tailored to meet the specific needs of the District.

The policy has been developed by Finance staff and circulated to the District's rating agencies and underwriters for comment. It is my hope that with additional input from the Special Committee on Budget and Finance, the policy will assist staff in achieving the objective of improving the District's budget documents and process as outlined in Mr. Huizar's June 24, 2003, Board of Education motion.

OFFICE OF THE CHIEF OPERATING OFFICER



LAUSD BUDGET

AND

FINANCE POLICY

DRAFT

Budget Services and Financial Planning Division

PURPOSE

Ongoing adverse developments in the State and Federal budgets have brought unprecedented stress on the District's finances. Reduced revenue and rising costs have forced the District to make critical decisions on programs that affect the academic success of its students. Moreover, these decisions have significant implications for the ongoing fiscal health of the District and its employees.

Under the California Education Code, the Los Angeles County Office of Education (LACOE) is primarily charged with monitoring the financial health of the District with oversight and review from the Superintendent of Public Instruction (EC § 33127, 33128, 42120 et. seq., 42637). During this period of State fiscal stress, the LACOE has noted its concerns over the District's financial condition and budgeting practices. Should the District's financial condition deteriorate below the State's standards, the LACOE is authorized to take corrective action including assuming management of the District's financial affairs (EC § 42127.3).

The District is bound to comply with the accounting standards and rules promulgated by the Governmental Accounting Standards Board (GASB). These standards have changed in the last few years to require significant changes in the accounting of certain types of expenses, such as the accounting of future obligations presently incurred. In addition, the Government Finance Officers Association (GFOA) promulgates best practices for finance, accounting, and budgeting by government agencies. Although not rising to the level of rules, GFOA practices should generally be adhered to; material differences must be explained and raise potential audit concerns.

To enable the Board of Education to make sound policy, guide the development of the District's budget, enhance the management of the District's finances, obviate the need for any LACOE action, and eliminate any potential external audit concerns, the Board has adopted the following Budget and Finance policy. This policy is based on the Recommended Budget Practices developed by the Government Finance Officers Association and is consistent with the standards and criteria established by the State Board of Education (EC § 33127, 33128), as well as current GASB rules and standards. The District's current budgeting and accounting practices are not in compliance with this policy. In those areas, implementation of this policy is expected to be an incremental process that will take place over a number of years.

The District's budget process is defined as "activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets." The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets, promote stakeholder participation in the process, and to assist in the prioritization process.

The Recommended Budget Practices include the following five principles.

The Five Principles of the Budget Process

1. Establish Broad Goals to Guide Decision Making.

LAUSD should have broad goals that provide overall direction and serve as a basis for decision-making. These goals should include (1) goals for student performance, (2) goals for the District's business functions, and (3) financial goals. The Board and Superintendent have the primary responsibility for developing and articulating the District's goals as part of the annual strategic planning process. The role of the Office of the Chief Financial Officer is (1) to develop a financial plan that reflects the District's goals as articulated by the Board and Superintendent, and to indicate to District management and the public whether and how effectively the financial plan is being implemented (2) to articulate these goals clearly in financial terms in the District's financial documents, and (3) to recommend financial goals for the Board's and Superintendent's consideration and provide measures indicating how well the financial goals are being realized in the context of the current Federal and State financial realities.

2. Develop Approaches to Achieve Goals.

LAUSD should have specific policies, plans, programs, and management strategies to define how it will achieve its long-term goals. These plans are primarily developed by program managers, under the leadership of the Superintendent, and should be articulated as part of the annual strategic planning process. The role of the Office of the Chief Financial Officer is to help program managers quantify their program needs so they will fit into an agreed cost framework, and to work with local districts, school sites and central offices to develop budget and program goals.

3. Develop a Budget Consistent with Approaches to Achieve Goals.

A financial plan and budget that move toward achievement of goals, within the constraints of available resources, should be prepared, shared with the public for comment and adopted by the Board of Education by the legal deadline. The Office of the Chief Financial Officer has the primary responsibility for developing the budget for the Board and Superintendent's consideration.

4. Develop a Budget that is Clear and Easy to Understand.

LAUSD's financial plan must be organized and presented in such a way that lay persons can grasp (1) what the District intends to do and how it intends to do it, (2) what the District's overall financial condition is, and (3) the historical context for LAUSD programs. Additionally, the finance plan must meet all state requirements including those related to structure, presentation and form. The Office of the Chief Financial Officer is responsible for developing the content and presentation of the budget.

5. Evaluate Performance and Make Adjustments.

Program and financial performance should be continually evaluated, and adjustments made, to encourage progress towards achieving goals. In adopting this principle, the Office of the Chief Financial Officer commits to

regular reviewing and using information on actual income and expenditures and on actual program outcomes in developing its budget. The Office of the Chief Financial Officer commits to evaluating its performance and that of its financial systems, and to make efforts to improve them.

Principle One: Establish Broad Goals to Guide Decision Making

In accordance with the timeline outlined in EC § 42127, the Board shall adopt a budget that identifies and supports the student performance goals by which the District can measure its success. For example, in recent fiscal years the District has established the following five goals:

1. Improve student reading and writing skills for all grades.
2. Improve student skills and understanding in mathematics across all grade levels.
3. Focus on professional development as the key to improving classroom practices.
4. Provide adequate classroom seats for LAUSD students.
5. Close the achievement gap.

Recent goals for the District's business function have included:

1. Achieve best-in-class services in all areas.

Financial goals have included:

1. Bring District practices into compliance with GASB and GFOA standards and practices.

Achieving these goals requires the dedication of all stakeholders, including the Board, students, parents, the community, and LAUSD employees. Moreover, it demands the efficient and effective utilization of resources. Each year the budget will include a discussion of the progress made in achieving these goals during the previous fiscal year.

Principle Two: Develop Approaches to Achieve Goals

Annually, the Board of Education and the Superintendent shall identify the key programs that will be implemented to achieve the goals. In recent fiscal years, the Board and Superintendent have identified the following programs supporting the student performance goals:

1. Literacy and mathematics professional development including specific strategies for English and Standard English learners.
2. Enhanced delivery and effectiveness of special education services to students with disabilities.
3. Enhanced recruitment and retention of qualified staff.
4. Increased use of technology in the classroom and more effective use of technology for instructional support.
5. Increased efficiency in the use of resources.
6. Improved early childhood education as a foundation for success, particularly in reading and math.
7. Continued efforts to bridge the achievement gap.
8. Expanded magnet and academy opportunities.
9. Expanded and enhanced after-school programs.
10. Involved parents and communities.

Approaches to meet the Business goals have included the following programs:

1. Establishment of unit performance goals based on best-in-class benchmarking and reengineering.

2. Replacement of antiquated Enterprise Resource Programs affecting all aspects of the District's operations.
3. Creation of Strategic Execution Plans for major and ongoing capital projects defining multi-year programs and outcomes.

Approaches to meet the Financial goals have included the following programs:

1. Develop comprehensive debt and financial policies in accordance with appropriate standards.
2. Develop appropriate measurement and reporting of key elements of the District's operations such as employee compensation.

Each year, the budget will include a discussion of the above programs and any others that the Superintendent has implemented to achieve the goals.

Principle Three: Develop a Budget Consistent with Approaches to Achieve Goals

One of the key elements in developing a budget consistent with approaches to achieve goals is the adoption of financial policies. To accomplish the goals of the organization and support the purposes of the budget process, financial policies on the following topics have been articulated.

LAUSD Financial Policies

1. Balancing the Operating Budget
2. Use of One-Time Revenues
3. Reserve Funds
4. Fees and Charges
5. Debt Issuance and Management
6. Revenue Diversification
7. Asset Management
8. Program Sustainability
9. Capital Programs
10. Revenue Recognition
11. GASB Compliance

1.0 Balancing the Operating Budget

- 1.1 The Chief Financial Officer shall annually prepare and recommend a balanced budget where operating revenues are equal to, or exceed,

operating expenditures (EC § 42100, 42127.5). Any increase in expenses, decrease in revenues, or combination of the two that would result in a

budget imbalance will require budget revision, rather than spending beginning balances (i.e. funds unspent from the prior year) or designated reserves to support ongoing operations. Any year end operating surpluses will be used in the following year to maintain reserve levels set by policy and the balance will be available for capital projects and/or other “one-time only” General Fund expenditures.

- 1.2 The LAUSD shall manage the operating budget in a manner that balances revenues and expenditures under normal operating conditions. Annual appropriations shall be made to responsibly address all identified liabilities, including pension, vacation accrual, workers’ compensation and asset replacement needs.
- 1.3 The District shall strive to adopt a “pay-as-you-go” approach to balancing its budget as opposed to resorting to periodic debt financing.
- 1.4 The Office of the Chief Financial Officer shall prepare the First Period Interim Financial Report and the Second Period Interim Financial Report in accordance with the law and shall make appropriate recommendations to the Board if financial adjustments are necessary.

2.0 Use of One-Time Revenues

- 2.1 To the extent feasible, one-time revenues will be applied toward one-time and/or non-core expenditures; they will not be used to finance core ongoing programs. Ongoing revenues should be equal to or exceed ongoing expenditures.
- 2.2 Any new or unanticipated unrestricted revenues recognized during the fiscal year shall be applied to reduce any operating imbalance.

3.0 Reserve Funds

- 3.1 The target for reserved available general fund balances shall be 5% of the General Fund revenues as identified in Title 5 of the California Code of Regulations (Education Code §33217 and 33218), an amount sufficient to maintain the District’s credit rating and absorb any unanticipated revenue or expenditure problems.
- 3.2 A Contingency Reserve account shall be budgeted and appropriated annually in an amount equal to 2% of General Fund revenue to provide for unanticipated expenditures of a nonrecurring nature and/or to meet unexpected increases in costs.

- 3.3 An Economic Uncertainty Reserve account shall be budgeted and appropriated annually in accordance with State statute to avoid the need for service level reductions in the event an economic downturn causes revenues to come in lower than budget or for unforeseen expenditure needs.
- 3.4 A Reserve for Encumbrances shall be established at the end of every fiscal year to reserve fund balance in the amount equal to the District's unpaid obligations and unfinished projects for inclusion in the following year's budget.
- 3.5 An Exposures Reserve will be maintained for the purpose of setting aside resources for costs not covered by the District's insurance programs, such as claim costs within the District's deductibles, workers' compensation, settlements and judgments, self-insured retentions and/or major costs associated with disasters and other events, which will not be reimbursable from insurance or from the Federal or State government.
- 3.6 A Computer, Equipment, Furnishings, and Vehicle (CEFV) Replacement Fund will be maintained, at a rate of 100% accumulated depreciation, to fund the replacement costs of existing equipment, vehicles, computers, and office furnishings when they reach the end of their useful lives.
- 3.7 An Employee Benefits Reserve shall be established to address the accumulated unfunded accrued actuarial liability in areas such as vacation, sick time, and current employee retirement health care costs.
- 3.8 A Retiree Health Care Reserve shall be established to address the accumulated unfunded accrued actuarial liability in retiree health care costs.
- 3.9 Newly established reserves shall be phased-in over a period of five years.
- 3.10 Funding levels of reserves shall be reviewed annually and adjusted as appropriate.

4.0 Fees and Charges

- 4.1 The LAUSD shall set fees so that they cover the entire cost of the service provided. All costs (direct and indirect) shall be considered in establishing the appropriate fee.
- 4.2 The amount of a fee will be set by the District at its sole discretion and shall cover all appropriate costs subject to any legal restrictions.

- 4.3 District-imposed fees will be established by the Board of Education or appropriate designee.

5.0 Debt Issuance and Management

- 5.1 The LAUSD shall adhere to the Debt Management Policy as adopted by the Board of Education (currently adopted 1-03).

6.0 Revenue Diversification

- 6.1 The LAUSD shall encourage diversification of its revenue sources in order to improve the District's ability to manage fluctuations in individual sources, and shall seek, especially during times of financial difficulty, the approval of granting agencies to maximize flexibility in the use of scarce resources.
- 6.2 The District will continue lobbying efforts to protect current revenues received from State and Federal sources, including aggressively pursuing reimbursement of past mandated costs that were left unfunded in the State budget.

7.0 Asset Management

- 7.1 The Chief Financial Officer shall budget appropriate amounts so that physical assets are properly maintained and replaced when needed. Inventories of assets shall be maintained and the condition of major assets assessed on a regular basis to develop appropriate replacement and maintenance programs.
- 7.2 The Chief Financial Officer shall develop a maintenance plan that identifies the commitment needed to maintain the value of its assets and protect the health and safety of students and employees.
- 7.3 The Chief Financial Officer shall estimate and set aside annually resources for preventative maintenance.

8.0 Program Sustainability

- 8.1 Multi-year programs should be tied to multi-year funding. When funding is non-continuous, the program should be identified as non-sustainable.
- 8.2 Multi-year programs and offices should identify a specific "sunset date" for program termination as well as the ending date for personnel assignments funded in the program

- 8.3 Programs shall be identified as either mandatory or discretionary. If mandatory, there will be disclosure of the legal source to the mandate.
- 8.4 The District shall strive to avoid open-ended program fiscal commitments (e.g. health care) in lieu of fixed payments.

9.0 Capital Programs

- 9.1 Capital Programs shall include a Statement of Need.
- 9.2 A separate budget, including multi-year revenue and expenditure projections, shall be established for Capital Programs.
- 9.3 The Capital Programs budget shall also include an analysis of the future operational impact of the projects.

10.0 Revenue Recognition

- 10.1 The Chief Financial Officer shall determine on a fund-by-fund basis when expected revenues may be accrued and by what amount.
- 10.2 Any revenue not approved by the Chief Financial Officer may only be accrued as funds are received.
- 10.3 The Chief Financial Officer may dictate only partial recognition or create an appropriate withholding or suspension of the recognition of revenue.

11.0 GASB Standards for Financial Accounting and Reporting

The Governmental Accounting Standards Board promulgates rules governing financial accounting and reporting. LAUSD shall commit to adhering to these rules and whenever possible adopt these rules at the earliest opportunity to insure compliance with these rules. [The District shall strive to receive the GFOA Certificate for Excellence in Financial Reporting each year.]

Principle Four: Develop a Budget that is Clear and Easy to Understand

In addition to the above policies, the Board shall present its annual budget in a manner consistent with the GFOA standards for budget presentation and State statute. These standards are established to provide appropriate disclosure of financial information to the public and other interested parties, while facilitating management decisions on program expenditures.

The Government Finance Officers Association has identified standards for the presentation of budgets. The four review categories and criteria are stated below: |

Government Finance Officers Association Budget Presentation Categories and Criteria

1. Policy Document
2. Financial Plan
3. Operations Guide
4. Communications Device

1. Policy Document Criteria

- 1.1. Include a coherent statement of organization-wide financial and programmatic policies and goals that address long-term concerns and issues.
- 1.2. Describe the organization's short-term financial and operational policies that guide the development of the budget for the upcoming year.
- 1.3. Include a coherent statement of goals and objectives of organizational units.
- 1.4. Include a budget message that articulates priorities and issues for the budget for the new fiscal year.

2. Financial Plan Criteria

- 2.1. Include and describe all funds that are subject to appropriation.
- 2.2. Present a summary of major revenues and expenditures, as well as other sources and uses, to provide an overview of total resources budgeted by the organization.
- 2.3. Include summaries of revenues, other resources, and expenditures for the prior year, current year and budget year.
- 2.4. Describe major revenue sources, explain the underlying assumptions for the revenue estimates and discuss significant revenue trends.
- 2.5. Include projected changes in fund balances and fund balances available for appropriation.
- 2.6. Include budgeted capital expenditures and a list of major capital projects for the budget year.

- 2.7. Describe the impact of capital spending on the current and future operating budgets.
- 2.8. Include financial data on current debt obligations and the relationship between current debt levels and statutory limitations.
- 2.9. Explain the basis of budgeting for all funds.

3. Operations Guide Criteria

- 3.1. Describe activities, services or functions carried out by organizational unit.
- 3.2. Provide objective methods to measure progress toward the organization's mission as well as specific unit and program goals and objectives.
- 3.3. Include an organization chart for the entire organization.
- 3.4. Provide a schedule or summary tables of personnel or position counts for the prior, current, and budget years, including description of significant changes.

4. Communication Device Criteria

- 4.1. Provide summary information, including issues, trends and choices as executive summary or "Popular Budget".
- 4.2. Explain the effect of other planning processes upon the budget and budget process.
- 4.3. Describe the process for preparing, reviewing and adopting the budget for the coming fiscal year.
- 4.4. Use charts and graphs to highlight financial and statistical information.
- 4.5. Provide narratives, tables, schedules, crosswalks, or matrices to show the relationship between revenues and expenditures.
- 4.6. Include a table of contents to make it easy to locate information.
- 4.7. Include a glossary for any terminology not readily understood by a reasonably informed lay reader.

- 4.8. Include statistical and supplemental data that describe the organization and the community or population it serves.
- 4.9. Print and format the document to enhance understanding and usability of the document to a lay reader. Provide the document in electronic form on the District website (this isn't one of GFOA items, but should be included somewhere in this policy).
- 4.10. Define the key periodic indicators to be tracked and reviewed to assure District compliance with the approved budget (e.g. The Dashboard) and efficiency (e.g. total compensation cost).

Principle Five: Evaluate Performance and Make Adjustments

All departments shall establish performance criteria and report annually on their activities. Criteria may include measures of efficiency and effectiveness. Measures should not be simply based on transaction volume, but rather reflect decisions related to the use of resources. Where appropriate, benchmarks from comparable entities (both public and private) shall be reported. For administrative functions, performance measures shall include the percentage of the District's resources used in performance of the function. The goal should be established to be below the average cost of providing the service as reported by the District's peers.