FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

March 2, 2020

Honorable Keely Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Honorable Phil Ting, Chair
California State Assembly Committee on Budget
State Capitol, Room 6026
Sacramento, CA 95814

Honorable Holly J. Mitchell, Chair
California State Senate Committee on Budget and Fiscal Review
State Capitol, Room 5019
Sacramento, CA 95814

Dear Director Bosler, Chairperson Mitchell and Committee Members, and Chairperson Ting and committee members:

This letter is submitted for your consideration in accordance with the Fiscal Crisis and Management Assistance Team's (FCMAT)- responsibilities regarding the Oakland Unified School District (district) under Assembly Bill 1840 (Chapter 426/2018) (AB1840).

Background

AB1840

AB 1840 passed the legislature on August 31, 2018 as a budget trailer bill and became effective on September 17, 2018. Among other provisions, AB 1840 provides for several changes in the oversight of fiscally distressed districts and establishes specific requirements for the district in exchange for providing financial resources under certain circumstances. This letter is provided in accordance with Education Code Section 42161(d) as established by AB 1840 and outlined below.

AB 1840 changes the former state-centric system to be more consistent with the principles of local control. Several duties formerly assigned to the state Superintendent of Public Instruction (SPI) are now assigned to the county superintendent, with the concurrence of the SPI and the president of the State Board of Education. While AB 1840 does not change the definition of or criteria for fiscal insolvency, it does change the structure of how fiscally insolvent districts are administered once a state emergency appropriation has been made. Prior to AB 1840, administrators and trustees assigned to districts as a result of an emergency appropriation were referred to as state administrators and state trustees. Subsequent to AB 1840, the new titles are generally county administrator and county trustee, which are the terms used in this letter.

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Under AB 1840, the county trustee assigned to the district reports to the Alameda County Superintendent of Schools and no longer reports to the SPI. If the current county trustee elects not to continue, or the county superintendent makes a determination that the county trustee should be replaced, the appointment of the next county trustee would follow the provisions of AB 1840, namely, 1) be selected from a list of candidates identified and vetted by FCMAT, and 2) be appointed jointly by the county superintendent, SPI and president of the State Board of Education.

In addition, AB 1840 established Education Code Section 42160, which provides the following:

> (a) For the 2018-19 fiscal year, by March 1, 2019, the Oakland Unified School District, in collaboration with and with the concurrence of the Alameda County Superintendent of Schools and the County Office Fiscal Crisis and Management Assistance Team, shall do both of the following:
>
> > (1) Update or develop short- and long-term financial plans based on reasonable and accurate assumptions and current and past year expenditure data.
> >
> > (2) Review and update school district facilities construction plans to ensure that costs are reasonable, accurate, and align with long-term financial plans for fiscal solvency.
>
> (b) Beginning with the 2019-20 fiscal year, the Budget Act shall include an appropriation for the Oakland Unified School District, if the school district complies with the terms specified in subdivisions (a) and (c), in the following amounts:
>
> > (1) For the 2019-20 fiscal year, up to 75 percent of the school district's projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the Department of Finance.
> >
> > (2) For the 2020-21 fiscal year, up to 50 percent of the school district's projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the Department of Finance.
> >
> > (3) For the 2021-22 fiscal year, up to 25 percent of the school district's projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the Department of Finance.
>
> (c) Disbursement of funds specified in subdivision (b) shall be contingent on the Oakland Unified School District's completion of activities specified in the prior year Budget Act to improve the school district's fiscal solvency. These activities may include, but are not limited to, all of the following:
>
> > (1) Completion of comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability.
> >
> > (2) Adoption and implementation of necessary budgetary solutions, including the consolidation of school sites.
> >
> > (3) Completion and implementation of multiyear, fiscally solvent budgets and budget plans.
> >
> > (4) Qualification for positive certification pursuant to Article 3 (commencing with Section 42130) of Chapter 6.
> >
> > (5) Sale or lease of surplus property.
> >
> > (6) Growth and maintenance of budgetary reserves.
> >
> > (7) Approval of school district budgets by the Alameda County Superintendent of Schools.

(d) Funds described in subdivision (b) shall be allocated to Oakland Unified School District upon the certification of the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Alameda County Superintendent of Schools, to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance that the activities described in subdivision (c), as specified in the prior year Budget Act, have been completed. Additionally, by March 1 of each year, through March 1, 2021, the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Alameda County Superintendent of Schools, shall report to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance the progress that Oakland Unified School District has made to complete the activities described in subdivision (c), as specified in the prior year Budget Act.

(e) The activities described in subdivision (c) shall be determined in the annual Budget Act based on joint recommendations from the County Office Fiscal Crisis and Management Assistance Team and the Alameda County Superintendent of Schools. These recommendations shall be submitted to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance by March 1 of each fiscal year, through March 1, 2021, in conjunction with the certification described in subdivision (d).

Trailer bill language for the 2020 governor's budget proposes amendments to Education Code 42160 to establish new conditions of apportionment for 2020-21 as follows: 1) affirmative board action to continue planning for, and timely implementation of, a school and facility closure and consolidation plan that supports the sale or lease of surplus property, and 2) completion of on-time audits. Additional considerations may be given at the final budget adoption in June.

District Overview

Located in the Bay Area of Northern California, the district serves approximately 49,245 (36,045 excluding charter schools) students in 83 district-operated schools and 33 district-authorized charter schools. Slightly more than 51 percent (or 51.7%) of the district's students speak a language other than English at home; 33% of district students are classified as English language learners. Eligibility for free and reduced-price meals is 71.2 percent. The district's unduplicated pupil percentage is 77.4 percent. As of first interim 2019-20, the district is expected to have a combined unrestricted and restricted revenue and other sources of $585million and expenditures of $609 million. The district's projected June 30, 2020 ending fund balance is $46.8 million.

The district's own self-assessment of its financial condition is as follows:

> It has been an intense period for OUSD, but there are many signs that the district is poised to turn the corner.
>
> For too many years, the district was in crisis mode—only reacting to budget issues. This made the district's financial situation more complicated because of a combination of poor financial systems, a long-term trend of declining enrollment, and difficulty coming together to make hard choices.
>
> This year, the district is no longer in crisis mode with respect to its budget situation; rather, it is making strategic decisions and is following through to implement them. Moreover, the district has begun to make significant progress taking on the issues necessary to build a stable school district for the long-term.
>
> First and foremost, district staff worked thoughtfully and diligently to develop their best thinking on how the OUSD can adjust, shift, reduce, or eliminate expenditures to address the structural deficit. In doing so, focus was placed on protecting investments in whole child supports, namely,

investments in early literacy, academic counseling, art and music teachers, libraries, and sports. As always, the work was grounded in our vision, mission, and LCAP goals. In addition, the work followed the premise of government Finance Officers Association's Best Practices in School District Budgeting as systems-thinkers. (To be clear, OUSD is not without fault, but now its financial issues are similar to other districts. OUSD is among 40 California districts in danger of not meeting financial obligations.)

The district cannot and is not stopping with identifying, adopting, and implementing budget solutions. The district is moving to tackle other issues that have been avoided for too long: improving school quality; right-sizing the number of schools; recruiting and retaining high quality staff, including through competitive compensation; updating internal controls and implementing position control. The result of these efforts will be that, in combination with support from the State under AB 1840, long-term fiscal stability is a real possibility.

Emergency Appropriation, Loan Status and Payment Terms

In 2003, the district could not meet its financial obligations without the assistance of the state. Senate Bill 39 (SB 39) (Chapter 14/2003) was passed, which authorized a $100 million cash flow loan for the district. Consistent with practice, SB 39 directed that the superintendent of public instruction assume all of the district governing board's rights, duties, and powers. Full rights, duties and powers were reinstated to the governing board on June 28, 2009, and a state trustee was appointed to provide specific oversight of the district's continued recovery. The state trustee has stay and rescind authority over actions by the governing board.

In 2006, a portion of the state loan was refinanced by the sale of California Infrastructure Economic Development Bank (I-Bank) bonds of $59.6 million (principal and accrued interest). After the refinancing, the state general fund portion of the loan was $35 million. The California Department of Education (CDE) reports that as of July 1, 2018, the district owes $40 million. The payment schedule for the I-Bank portion of the state loan is monthly, July through January, totaling approximately $3.8 million annually through January 2023. The annual payment on the state general fund portion of the state loan is approximately $2.1 million, due in June through June 2026. Payments are made through a State Controller's Office intercept of the district's monthly principal apportionment.

The state subsidizes the interest payments on the I-Bank portion of the loan by approximately $1.7 million per year pursuant to Education Code Section 41329.57(a)(1), which establishes that the effective costs of the I-Bank financing provided to the district shall be equal to the cost of the original state general fund emergency loan.

Other FCMAT Reviews of the District

In late 2017, the district petitioned the California Department of Finance (DOF) to defer its remaining current year and budget year payments on the outstanding emergency appropriation (state loan) originally authorized in 2003.

In response to the district's petition, the director of the DOF convened a meeting of stakeholders on December 14, 2017. FCMAT provided a brief overview of its August 15, 2017 Fiscal Health Risk Analysis (FHRA) of the district conducted at its request, in which FCMAT concluded that the district showed signs of fiscal distress.

Subsequently, on January 22, 2018, the Alameda County Office of Education and FCMAT entered into a study agreement for FCMAT to provide on-site technical assistance to the district wherein FCMAT was assigned to two phases of work. The first was to review the district's 2017-18 general fund budget and develop a consensus about assumptions, including the values of mid-year reductions. From this base, FCMAT would update the district's 2017-18 cash forecast to determine if it had sufficient cash resources to meet its obligations, including the June state loan payment.

The second was to develop a general fund multiyear financial projection. FCMAT issued reports on this technical assistance on May 31, 2018 and July 2, 2018. The May 31 report concluded the district would have a positive general fund balance and cash flow position on June 30, 2018. The July 2 report made 18 recommendations that would lessen the district's risk of potential insolvency.

When a state administrator was in place (2003-2009), FCMAT conducted regular assessments of the district's operations that were documented in written status reports. FCMAT issued its last comprehensive review report on December 5, 2008, its sixth in the series.

As previously noted, at the request of the district, FCMAT conducted an FHRA of the district in August 2017.

Update Components

This update will include the status of negotiations, board actions taken, a multiyear financial projection, and an update on AB 1840 Benchmarks for the district.

Exhibits A through M are available on the FCMAT website.

Status of Collective Bargaining

Only two of seven bargaining units have settled with the district, the Oakland Education Association (OEA) and School Employees International Union Local 1021 (SEIU). The district recently reached a tentative agreement and prepared the required public disclosure documents pertaining to collective bargaining for two more units, the California School Employees Association (CSEA) and Building and State Construction Trades Council (BCTC). The Alameda County Office of Education received the public disclosures on February 18, 2020. The anticipated board approval date is March 11, 2020, where the county office of education response to the public disclosure documents along with the tentative agreements will be presented.

Each collective bargaining agreement includes a provision which extends an expired contract from year to year if an agreement isn't reached. Thus, the employee members of unsettled bargaining groups are working under the collective bargaining agreement which has been extended pursuant to this provision. All terms are status quo until an agreement is reached. The district is negotiating with the three remaining bargaining units at this time.

Status of Annual Independent Audit

The 2018-19 annual independent audit (Exhibit A) was presented to the board on February 26, 2020. The audit contains 13 findings for the 2018-19 fiscal year, 12 of which are repeat findings from the previous year. The findings consist of significant deficiencies and material weaknesses primarily in internal controls. Other common themes are as follows: lack of processes and lack of availability of documentation which was often documented as the delay in the completion of the audit, which necessitated an extension from the statutory due date.

Board Actions Taken Since October 2019

Rescinding of Classified Layoffs

At its October 23, 2019 meeting, the board passed resolution 1920-0170 (Exhibit B) rescinding classified layoffs. The total impact of the 2.0 FTE resulted in a $194,000 increase in expenditures. The district justified this action as necessary to maintain the business office's function.

Extend timeline for budget reductions

On June 26, 2019, the district's board approved Resolution 1819-0219 (Confirming Oakland Unified School District's Commitment to Fiscal Solvency – Fiscal Years 2020-2021 and 2021-22). The resolution affirmed that the board's commitment to expenditure reductions. Further, the resolution stated that these numbers may be recalibrated based on the outcome of the 2018-2019 unaudited actuals; the final state and federal revenue; and/or any other changes to the multiyear assumptions and would be updated and presented to the board no later than October 15, 2019.

On October 23, 2019, the board approved resolution 1920-0171 (Exhibit C), which changed the date to recalibrate the expenditure reduction and/or revenue enhancement targets to be on or before December 31, 2019 instead of October 15, 2019 as listed in Resolution 1819-0219.

Beginning the Process for General Obligation Bond

Resolution 1920-0168 (Exhibit D) was approved on October 23, 2019 to direct the district administration to start the process of calling for a bond measure to be placed on a ballot. The resolution calling for a measure is expected to be brought back to the board in either May or June 2020.

Budget Reductions and School Allocation Changes

Resolution 1920-0180 (Exhibit E) was adopted by the board on December 11, 2019. This resolution calls for the district to calculate the cost reductions or revenue enhancements to maintain the statutory 3% reserve for the fiscal year 2020-21. According to resolution, these reductions are to be adopted by March 2020. Regarding the 2021-22 fiscal year, the resolution directs the district to postpone making decisions about cost reductions until after the November 2020 election.

First Interim Budget for 2019-20

The district adopted the first interim budget for 2019-20 on December 11, 2019. The projected deficit spending increased from the original budget from $ (734,714.00) to $ (24,402,267). The first interim report is included as Exhibit F to this report.

2019-20 First Interim Budget

	Unrestricted	**Restricted**	**Combined**
Surplus/Deficit	$ (5,371,827)	$ (19,030,440)	$ (24,402,267)
Beginning Fund Balance	$ 330,561,997	$ 40,683,992	$ 71,245,989
Ending Fund Balance	$ 25,190,170	$ 21,653,552	$ 46,843,722

The budget and multiyear projection was prepared with the costs of the settled collective bargaining agreements with OEA and SEIU only. As presented, the district deficit spends each year of the multiyear projection and ends 2021-22 with ($1,775,471) negative fund balance.

Multiyear Projection

	2019-20	**2020-21**	**2021-22**
Surplus/Deficit	$ (24,402,267)	$ (19,614,363)	$ (29,004,834)
Beginning Fund Balance	$ 71,245,993	$ 46,843,726	$ 27,229,363
Ending Fund Balance	$ 46,843,726	$ 27,229,363	$ (1,775,471)

The county office concurred with the district's self-certification of "qualified" on February 12, 2020 and cited several concerns with the district budget. The letter states that the first interim budget contains a potential overstatement of LCFF revenue because projected ADA exceeded the district's historical average. The letter also states that the planned expenditure reductions "do not appear sufficient based on the overstatement of LCFF revenue and the recent changes to the Governor's budget proposal for education." The letter is included as Exhibit G.

Comparison of Original Budget to First Interim Budget

2019-20 Original Budget

	Unrestricted	**Restricted**	**Combined**
Surplus/Deficit	$ (480,239)	$ (254,475)	$ (734,714)
2019-20 First Interim Budget			
	Unrestricted	**Restricted**	**Combined**
Surplus/Deficit	$ (5,371,827)	$ (19,030,440)	$ (24,402,267)

As demonstrated in the table above, the deficit has increased significantly since budget adoption in June. At the time of budget adoption, County Trustee Learned voiced concerns voiced about the budget missing critical components and being incomplete. A revision was made in September when the unaudited actuals were presented. The primary cost drivers leading to this increase in the deficit can be broken down to the following components; addition of the SEIU settlement cost to the budget, special education costs were incomplete, supplemental and concentration expenditures were underbudgeted, and utility expenditures were not projected at a reasonable rate.

Multiyear Projection

In accordance with Education Code 42160, FCMAT has determined that the multiyear projection shows a deficit in 2019-20, 2020-21 and 2021-22. The following assumptions were used in developing this MYP (Exhibit H):

	FY19/20	FY20/21	FY21/22
Enrollment and Average Daily Attendance			
Enrollment (CBEDS)	36,110	35,726	35,509
Average Daily Attendance (ADA)			
Projected	34,029	33,696	33,493
Funded	34,029	34,029	33,696
Unduplicated Pupil Percentage (UPP)			
Single Year	75.83%	76.48%	76.18%
Three Year Average	76.48%	76.18%	76.16%
Attendance Rate	94.24%	94.32%	94.32%
Revenue			
Statutory COLA	3.26%	2.29%	2.71%
Federal COLA	0%	0%	0%
Other State Funding	3.26%	2.29%	2.71%
Step and Column Salary Increase	5.5M	5.5M	5.5M
Special Education Contribution	69M	71.9M	74.9M
Growth in Special Education Contribution	5.5M	2.9M	3.0M
Inflationary Increase - CPI	3.09%	2.99%	2.89%
Indirect Cost Rate	3.25%	3.25%	3.25%
CalPERS Rate	19.72%	22.80%	24.90%
CalSTRS Rate	17.10%	18.40%	18.10%

Because the settlements for OEA and SEIU are the only two bargaining unit settlements accounted for in the district's MYP, costs associated with the remaining unsettled salary agreements have been added to FCMAT's calculation of the MYP for the years in which they are likely to occur (see below). FCMAT believes it is imperative to account for an estimate of the remaining units as the three that remain unsettled likely will settle in the short-term. Readers should not interpret this addition as any indication of pending offers or potential settlement terms. FCMAT does not negotiate labor contracts, that is the sole responsibility of the district and its labor partners. The inclusion of estimates for unsettled collective bargaining agreements is to more accurately account for impacts to the multiyear projections.

The district has indicated that Measure G carryover will pay for one-time salary settlement components, while budget reductions or revenue enhancements will fund ongoing settlement costs. Without the budget reductions or revenue enhancements, the risk to the district solvency is great.

Fiscal Year	2019-20	2020-21
Projected Deficit	$ 24,993,944	$ 18,937,251
Potential costs of unsettled salary agreements	$8,015,500	$12,730,500
COE Intensive Support	$350,000	$350,000
Projected Revised Deficit	$ 33,559,444	$ 32,017,751

AB 1840 Benchmarks

Required Benchmarks

Education Code 42160(c) provides a list of benchmarks to be measured as a condition of apportionment of one-time funds to assist the district. The benchmarks are examples of activities to improve the district's fiscal solvency, and the district may include them but is not limited to them. Prior to the first AB 1840 March 1 letter in 2019, FCMAT, ACOE and the district agreed on the benchmarks that would be monitored. They include required benchmarks derived from code and district-established benchmarks added by the district. The county office has taken an active role in helping the district and has created a detailed plan of action that is intended to guide the district toward the goal of achieving long-term fiscal stability and recovery. Together, they are working to identify key areas for improvement based on the benchmarks below. The district has made significant progress in many business areas. The benchmarks are provided below with brief detail of the district's status with regard to each benchmark.

1. Completion of comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability.

   Status:
   In Progress. The district and county office developed various staffing scenarios for business operation functions in the district that ultimately resulted in the adoption of an organizational structure and staffing plan. The analysis did not include a comparative analysis with similar school districts. The district is pursuing a contract with School Services of California, Inc. to build on the joint district-county office work completed to-date and provide the comparative analysis.

2. Adoption and implementation of necessary budgetary solutions.

   Status:
   In Progress. At the board's direction, the superintendent has proposed $20.6 million in reductions to general fund expenditures as well as an additional $6 million in shifts within the unrestricted general fund and $900,000 in reductions to expenditures in restricted resources. The board is scheduled to vote on the detailed, identified cuts to substantiate these reductions on March 4, 2020 (Exhibit I and J).

3. Completion and implementation of multiyear, fiscally solvent budgets and budget plans.

   Status:
   In Progress. The board approved midyear reductions in the 2017-18 fiscal year and additional reductions for 2018-19 and 2019-20; however, the district has had limited success with fully implementing and adhering to those past adopted reductions. The district's current approach to reductions for 2020-21 is much more promising, following best practices. The interim chief financial officer can then ensure that approved actions are fully implemented and recurring.

4. Qualification for positive certification pursuant to Article 3 (commencing with Section 42130) of Chapter 6.

Status:
Not complete. As of first interim 2019-20, the district self-certified as qualified. If the board adopts the staff's proposed $20.6 million in reductions prior to March 15 (second interim due date), it is probable that the second interim report will meet the standards for a positive certification.

5. Sale or lease of surplus property.

   Status:
   In Progress. The district operates five fewer schools than it did in 2017-18. This is the result of the consolidation of eight schools into four and the closure of another school. By spring, the district will propose consolidating a significant number of school sites through mergers and closures. A board decision is expected before the end of the calendar year and possibly by the end of the current school year.

   Trailer bill language for the 2020 governor's budget proposes amendments to Education Code 42160 to establish new conditions of apportionment for 2020-21 to include "affirmative board action to continue planning for, and timely implementation of, a school and facility closure and consolidation plan that supports the sale or lease of surplus property." This language acknowledges the district's progress on this topic and encourages the timely implementation of the overall plan.

6. Growth and maintenance of budgetary reserves.

   Status:
   In Progress. Budget reserves have increased to at or above 3%, which is higher than the statutory minimum of 2% for the district. The district has demonstrated its strong commitment to maintain a 3% reserve by directing the superintendent to propose reductions for 2020-21 that are sufficient to maintain a 3% reserve level.

7. Approval of school district budgets by the county office.

   Status:
   Complete. Initially, the county superintendent conditionally approved the district's 2019-20 budget; once the conditions were met, the county superintendent approved the budget.

Contingency of Disbursement of Funds

The trailer bill language proposes a subsection of EC 42160(7)f, which places contingencies on the disbursement of funds for the district. The two contingencies include the following:

- Affirmative board action to continue planning for, and timely implementation of, a school and facility closure and consolidation plan that supports the sale or lease of surplus property (identical to and measured by item 5 of the benchmarks above)
- Completion of on-time audits
- The district's annual financial audit was not prepared within the normal statutory required timeline for the 2018-19 audit, which was due by December 15, 2019. This change in the trailer bill will require the district to complete the annual financial audit for 2019-20 in alignment with the statutory timelines to receive apportionment under AB1840.

District-Established Benchmarks

Citywide Plan/Blueprint for Quality Schools

In the past year, progress has been made on the Citywide Plan. Below are some of the recent key highlights:

On September 11, 2019 staff prepared responses to questions about the consolidations of schools regarding the Blueprint for Quality Schools Cohort 2 and subsequently approved two resolutions. The first was resolution 1920-0156B, which consolidated the Frick campus with School of Language. The second was resolution 1920-0156C (Exhibit K), which consolidated the Kaiser campus with the Sankofa campus.

On October 23, 2019 the board approved resolution 1920-0164 (Exhibit L) redrawing the Kaiser campus attendance boundary for the 2020-21 school year. This resolution provided neighborhood preference to Thornhill Elementary and Chabot Elementary families affected by the campus merger and prescribes a re-evaluation of the boundary change within two years of adoption of the resolution.

On January 22, 2020 the 7-11 committee delivered the final report and recommendations on whether to surplus the five properties identified previously by the board (Exhibit M). The report also lists the priority uses for each of the properties. In an excerpt from the report below, the 7-11 committee recommended the following recommendations for vacant sites:

SITE	SURPLUS RECOMMENDATION
• 86 Echo Avenue (former Piedmont Child Development Center site)	NO
• 58 61st Street (former Washington/Sankofa CDC site)	NO
• 4551 Steele Street (former Tilden CDC site)	YES
• 7980 Plymouth Street (former Webster CDC site)	NO
• 2455 Church Street (former Edward Shands Adult Education Center site)	YES

Table C.: 7-11 Committee Recommendations for Surplus and a Priority List of Future Uses provides a summary of action and recommendations for use.

All five sites considered for surplus have been vacant, in some cases for up to ten years. The child development center sites were impacted by state budget cuts which led to program closures and consolidation by the district. Piedmont, Washington/Sankofa, and Tilden have been vacant since 2010. The Webster site has been vacant since 2014. The Adult Education Center at Edward Shands was also impacted by state budget cuts and has been vacant since 2010. The long-term vacancy of the properties and consolidation of the programs formerly run at the sites to other locations meant that these sites were left without adequate maintenance and ongoing care.

The sites not recommended for surplus were retained for the following suggested purposes:

- **86 Echo Avenue (former Piedmont Child Development Center site)-** Members recommended not to surplus the property and to consider a Public Library option and/or use as a preschool program space, possibly in conjunction with a library.
- **58 61st Street (former Washington/Sankofa Child Development Center site) –** Members recommended returning the buildings as an active part of the Washington/Sankofa educational complex.
- **7980 Plymouth Street (former Webster Child Development Center site) -** They recommended the use of the building and site for early childhood programs that could support a growing community and focus families on a continuum of educational opportunities.

On February 26, 2020, The district board adopted resolutions declaring 4551 Steel Street (former Tilden site) and 2455 Church Street (the Edward Shands Adult Education Center) as surplus property.

Fiscal Vitality Plan

The district's Fiscal Vitality Plan was introduced on December 13, 2017 and is organized into three segments: Stability (short-term plans), Recovery (medium-term plans) and Vitality (long-term plans). The Fiscal Vitality Plan was created as a response to a FCMAT FHRA published in August 2017 that demonstrated many areas of need or improvement. The analysis included 22 recommendations for action to help rectify the district's fiscal health. The county office monitors the progress of the recommendations and began working closely with the district in 2019 through its Intensive Support and Technical Assistance initiative to accelerate implementation of the Fiscal Vitality Plan Recommendations.

The 22 recommendations and the status of each (with original deadline and updated status titles, where indicated) are below:

Recommendation	Status
Chapter 1: Stability (original deadline July 2018)	
Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty	Complete as of July 2019, however the district must continuously monitor
Institute adjustments to existing central office positions	Completed as of July 2019, need to continuously maintain
Maximize the use of restricted revenue sources	In Progress, most progress made since July 2019
Evaluate central office-based contracts and books/supplies for possible freeze and capture of savings	In Progress
Pursue capture of donated days and/or furlough	Complete
Adjust school per pupil allocations to capture savings	In Progress (titled "Site Solutions" as part of March 4, 2020 budget reductions)
Institute closer monitoring of contributions to other programs	In Progress, most progress made since July 2019
Update and implement budget forecast and projection practices	In Progress, most progress made since July 2019
Review and update cash flow monitoring practices	In Progress
Institute immediate protocols to limit and review spending among central office and school sites	Completed as of July 2018, need to continuously monitor

Chapter 2: Recovery (original deadline January 2019)	
Plan for and adopt a balanced budget that avoids future deficit spending	In Progress, most progress made since July 2019
Establish and conduct zero-based budgeting sessions with all central office practices	Not Started
Research, engage and implement a central office reorganization	In Progress
Institute and conduct monthly central office and school site budget monitoring practices	Not Started
Review, update and implement effective position control practices	In Progress, most progress made since July 2019
Develop a process for pre-approval of extra time employee payments	In Progress, most progress made since July 2019
Review and implement revised contract approval, processing and management procedures	In Progress
Complete transition to Escape technology system to manage finance and human resource information	Complete
Review and execute on shifts in expense that maximize the use of restricted funds	In Progress
Chapter 3: Vitality (original deadline July 2019)	
Review and engage school district and school leaders to re-establish appropriate budget roles and responsibilities	In Progress
Establish systems for the management and oversight of bargaining agreements	In Progress
Consider and act on recommendations from the Blueprint for Quality Schools review	In Progress

Conclusion

During the last several months, the district has made significant improvement in its financial planning, reporting and budgetary systems and processes. This improvement is a direct result of the intensive support and intervention being provided by the county superintendent's team and implemented at the district under the direction of the district's interim chief financial officer (CFO) and general counsel. The county superintendent's commitment and investment in the district's success is unparalleled. The district governing board and superintendent are to be commended for their commitment to improvement and for the progress being made. Over the past ten months, the district has benefited from a highly experienced interim CFO who has embraced the challenge and guided the district's leadership team through the necessary essential steps to solvency. Critical to the district's continuous improvement and full implementation of budgetary decisions is the filing of essential business operations leadership personnel, including a permanent CFO. The selection of a highly qualified permanent staff is of the utmost importance; and any failure in this regard represents a high risk to the continued implementation of the district's fiscal vitality plan and fiscal solvency.

FCMAT would like to thank the staff of the Oakland Unified School District and Alameda County Office of Education for their collaboration in the creation of this letter.

Sincerely,

Tami Ethier
Intervention Specialist

C: L. Karen Monroe, Alameda County Superintendent of Schools
Karen Stapf-Walters, Executive Director, California State Board of Education
Lisa Constancio, Deputy Superintendent, California Department of Education
Jeff Bell, Program Budget Manager, California Department of Finance
Jessica Holmes, Assistant Program Budget Manager, California Department of Finance
Chris Learned, County Trustee, Oakland Unified School District
Raul Parungao, Associate Superintendent, Alameda County Office of Education
Kyla Johnson-Trammell, Ed.D., Superintendent, Oakland Unified School District