FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

November 4, 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's) responsibilities regarding the Oakland Unified School District (district) under Assembly Bill 1840 (Chapter 426/2018) (AB 1840). The intent of this document is to provide an update on events that have occurred since our letter dated March 2, 2020.

This update will include status of negotiations, board actions taken since March 2, 2020, a general fund analysis and a multiyear financial projection prepared using the 2019-20 unaudited actual ending balances, and an update on AB 1840 benchmarks for the district.

Please note that Exhibits A through Q are available on the FCMAT website, and hyperlinks to each exhibit are provided in this letter.

Status of Collective Bargaining

As of August 1, 2020, all seven of the district's employee bargaining units have settled negotiations through the 2020-21 fiscal year. Building and Construction Trades Council (BCTC), the California School Employees Association (CSEA), American Federation of State, County and Municipal Employees (AFSCME), and United Administrators of Oakland Schools (UAOS) have reopeners for salary in 2020-21. Details of the five settlements that occurred since the last update letter are included in the "Board Actions" portion of this letter. Documents supporting the salary settlement agreements can be found in exhibit items C, D, L, M and N.

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Board Actions Taken Since March 3, 2020

Budget Solutions for the General Fund

On March , 2020, the district's governing board adopted Resolution 1920-0214 (Exhibit A), which reallocated $6 million in expenditures, and reduced expenditures from restricted sources by $0.9 million. The budget measures listed in the resolution resulted in an estimated $20.1 million savings for the general fund. The district's goal in taking these budget measures was to reduce its projected deficit and maintain its 3% reserve for 2020-21.

Second Interim Report

On March 11, 2020, the district's governing board approved the district's second interim report (Exhibit B) along with Resolution 1920-0213, in which the second interim report was self-certified as qualified. The county superintendent concurred with the qualified certification. The district's narrative accompanying its second interim budget report indicates that the second interim budget includes settled negotiations for two of the bargaining units, Oakland Education Association (OEA) and Service Employees International Union (SEIU). There is an increase of approximately $141,000 in the general fund ending balance from the first interim to the second interim projection; this is a relatively small change for a district the size of Oakland Unified..

2019-20 Second Interim Budget			
	Unrestricted	Restricted	Combined
Surplus/Deficit	$(3,922,017)	$(20,621,478)	$(24,543,495)
Beginning Fund Balance	$ 30,561,997	$ 40,683,990	$ 71,245,987
Ending Fund Balance	$ 30,125,077	$ 20,062,512	$ 50,187,589

In the board packet for the March 11, 2020 meeting, the deficit spending shown in the multiyear projection from the Standardized Account Code System (SACS) software does not match the multiyear projection summary in the narrative.

The SACS version has negative entries on Line B10, which makes it appear that deficit spending is greatly reduced, specifically by more than $20 million per year in both the first and second subsequent years. Also, the board packet is missing the SACS restricted and combined pages of the multiyear projection, which means that the board was not provided with the entire report. For purposes of this letter, the district-prepared multiyear projection, as extracted from the second interim report narrative, is shown below.

2019-20 Second Interim Multiyear Projection (Combined)			
	19-20	20-21	21-22
Surplus/Deficit	$(24,453,494)	$(17,042,730)	$(28,286,070)
Beginning Fund Balance	$ 74,731,090	$ 50,187,596	$ 33,144,866
Ending Fund Balance	$ 50,187,596	$ 33,144,866	$ 4,858,795

On April 20, 2020, the county superintendent concurred with the district's self-certification of its second interim report as qualified and cited several concerns with the district's budget. The letter from the county superintendent expresses concerns regarding deficit spending and reductions taken as part of the assumptions used by the district in developing the multiyear projection. A copy of the county superintendent's letter is included at the end of Exhibit B.

Settlement Agreements with BCTC and CSEA

On April 7, 2020, the district's governing board ratified the tentative bargaining agreements with the BCTC and CSEA Chapter 1. The documents related to this action can be found in exhibits C and D and include the tentative agreements, public disclosure of collective bargaining documents, and the county superintendent's response to the public disclosure documents. The county office noted that the affordability of the tentative agreements was highly dependent on full implementation of Resolution number 1920-0214. Pertinent information regarding each settlement is summarized below.

Settlement Summary, BCTC	
Term of agreement	July 1, 2018 through June 30, 2021, with salary reopeners in 2020-21
Amount attributed to one-time costs to be paid in 2020-21	$325,268
Amount attributed to ongoing costs to be paid in 2020-21	$397,693 (for 2020-21) and $297,888 (for 2019-20)
One-time/bonus percentage included in agreement	3%
Ongoing percentage included in agreement	5%
2020-21 total cost increase for this settlement	$1,020,849
Total cost for settlement, 2019-20 through 2021-22	$1,419,265

Settlement Summary, CSEA	
Term of agreement	July 1, 2019 through June 30, 2021, with salary reopeners in 2020-21
Amount attributed to one-time costs to be paid in 2020-21	$41,894
Amount attributed to ongoing costs to be paid in 2020-21	$36,713 (for 2020-21) and $14,139 (for 2019-20)
One-time/bonus percentage included in agreement	3%
Ongoing percentage included in agreement	5%
2020-21 total cost increase for this settlement	$92,746
Total cost for settlement, 2019-20 through 2021-22	$129,753

Employment Contract with new CBO

Attracting and retaining permanent qualified staff leads to accuracy, increased transparency, and consistency in decision making. In FCMAT's March 2, 2020 letter we noted that a significant risk existed as the district would be transitioning from an interim Chief Business Officer (CBO) through the selection process to identify and employ a permanent CBO. On May 13, 2020, the district's governing board ratified the employment contract with a new CBO, Lisa Grant Dawson.

Third Interim Report

The district adopted its third interim budget report for 2019-20 on May 27, 2020. The projected deficit spending decreased, from $24,543,495 at second interim to $9,287,534 at third interim, a difference of $15,255,961. The decrease in deficit spending can be attributed to decreased restricted general fund expenditures projected in third interim report. The third interim report is included as Exhibit F.

2019-20 Third Interim Budget			
	Unrestricted	Restricted	Combined
Surplus/Deficit	$(7,568,004)	$(1,719,529)	$(9,287,534)
Beginning Fund Balance	$ 34,047,095	$ 40,683,995	$ 74,731,090
Ending Fund Balance	$ 26,479,090	$ 38,964,466	$ 65,443,556

The budget and multiyear projection were prepared with the costs of the settled collective bargaining agreements with OEA, SEIU, BCTC and CSEA only, and show the district deficit spending in each year of the multiyear projection and ending 2021-22 with a negative fund balance ($41,314,657).

2019-20 Third Interim Multiyear Projection (Combined)			
	19-20	20-21	21-22
Surplus/Deficit	$(9,287,534)	$(35,104,755)	$(71,653,459)
Beginning Fund Balance	$ 74,731,090	$ 65,443,556	$ 30,338,801
Ending Fund Balance	$ 65,443,556	$ 30,338,801	$(41,314,657)

General Waiver Request – Surplus Property

At its June 10, 2020 meeting, the district's governing board passed Resolution 1920-0206, approving a general waiver request and forwarding it to the State Board of Education for consideration (Exhibit G). The waiver seeks to alter the regular statutory bidding process for leasing two vacant properties, located at 2455 Church St., Oakland, CA 94605 (the former Edward Shands Adult School) and 4551 Steele St, Oakland, CA 94619 (the former Tilden Child Development Center). The waiver was approved by the State Board of Education on September 10, 2020. This board action is significant because it demonstrates the board's and administration's commitment to move forward with the process to lease or sell vacant properties.

Application for Specific Waiver – Shortfall of Instructional Minutes

Also at its June 10, 2020 meeting, the district's governing board passed Resolution 1920-0226, approving a request for specific waiver of an instructional time requirement penalty and forwarding it for consideration by the California Department of Education (CDE) (Exhibit H). This was in response to an audit finding in 2018-19 that found the instructional minutes at two of the district's elementary schools did not meet the statutory minimum. The waiver request seeks to avoid a penalty of $741,786 by making up the lost instructional minutes over the next two school years. This waiver has not been resolved at the time of this update.

Approval of 2020-21 Budget

On June 24,2020, the district's governing board adopted the budget for the 2020-21 fiscal year (Exhibit I). A resolution accompanying the budget established that strategies needed to balance the budget would be brought to the board no later than November 2020. The budget shows a projected deficit of $2,460,054 and a projected ending fund balance of $63,771,869.

2020-21 Budget			
	Unrestricted	Restricted	Combined
Surplus/Deficit	$(4,009,016)	$ 1,548,962	$(2,460,054)
Beginning Fund Balance	$ 28,487,127	$ 37,744,796	$ 66,231,923
Ending Fund Balance	$ 24,478,111	$ 39,293,758	$ 63,771,869

The district's multiyear financial projection shows deficit spending in all three years. The district used the "other adjustments — Line B10," without providing explanations, to reduce expenditures by $43,000,000 in 2020-21 and $55,500,000 in 2021-22. Without that adjustment, the projected deficit spending would be $2,460,054 in 2020-21, $46,619,042 in 2021-22, and $66,259,099 in 2022-23. Using the unadjusted deficits, the ending fund balance in 2022-23 would be ($49,106,272).

2020-21 Multiyear Projection (Combined)			
	20-21	21-22	22-23
Surplus/Deficit	$(2,460,054)	$(3,619,042)	$(10,759,099)
Beginning Fund Balance	$ 66,231,923	$ 63,771,869	$ 60,152,827
Ending Fund Balance	$ 63,771,869	$ 60,152,827	$ 49,393,728

Resolution Ordering School Bond Ballot Measure

On June 29, 2020, the district's governing board passed a resolution to place a $735 million general obligation bond measure on the November 2020 ballot (Exhibit J). The purpose of this bond is facilities maintenance. The facilities master plan, included in this letter in the section titled Blueprint for Quality Schools, identified $3.4 billion in total costs for district facilities. This bond would meet one fifth of the identified need.

Settlement with Remaining Bargaining Units

On August 1, 2020, settlement agreements with the remaining three collective bargaining units were brought to the board for approval. These agreements, which were ratified by the board, were between the district and UAOS, AFSCME Local 257, and unrepresented confidential employees with employment contracts. Details of each settlement are provided below.

A review by the county superintendent of schools did not find that these agreements endanger the district's fiscal well-being. The public disclosure document and the county superintendent's response are included with exhibits, K, L and M.

Settlement Summary, UAOS	
Term of agreement	July 1, 2019 through June 30, 2022, with salary reopeners in 2020-21
Amount attributed to one-time costs to be paid in 2020-21	$3,293,920
Amount attributed to ongoing costs to be paid in 2020-21	$1,847,137
One-time/bonus percentage included in agreement	3%
Ongoing percentage included in agreement	5%
2020-21 total cost increase for this settlement	$5,141,057
Total cost for settlement, 2019-20 through 2021-22	$7,025,355

Settlement Summary, AFSCME	
Term of agreement	July 1, 2019 through June 30, 2021, with salary reopeners in 2020-21
Amount attributed to one-time costs to be paid in 2020-21	$1,755,466
Amount attributed to ongoing costs to be paid in 2020-21	$1,147,811
One-time/bonus percentage included in agreement	3%
Ongoing percentage included in agreement	5%
2020-21 total cost increase for this settlement	$2,903,277
Total cost for settlement, 2019-20 through 2021-22	$4,073,891

Settlement Summary, Unrepresented, Confidential and Others	
Term of resolution	July 1, 2017 through June 30, 2020
Amount attributed to one-time costs to be paid in 2020-21	$645,379
Amount attributed to ongoing costs to be paid in 2020-21	$774,114
One-time/bonus percentage included in agreement	5%
Ongoing percentage included in agreement	5%
2020-21 total cost increase for this settlement	$1,419,493
Total cost for settlement, 2019-20 through 2021-22	$2,314,078

Stale-Dated Warrants and Recapture of Funds

On August 12, 2020, the district's governing board approved Resolution 2021-0009 (Exhibit N), which authorized the transfer to the general fund any funds from unclaimed stale-dated warrants more than three years past the issuance date, as allowed by California Government Code Sections 50005-20057 regarding unclaimed property. The total number of unclaimed stale-dated warrants was 2,680, and the total amount transferred to the general fund was $1,069,434.46. This action was recommended by the district's external auditor.

45-day Revision of 2020-21 Budget

On August 12, 2020, the governing board approved the 45-day revision of the district's 2020-21 budget (Exhibit O) to include the significant changes as a result of the adopted state budget. Major changes at the state level included restoration of LCFF funding from the May Revised proposal of a 10% LCFF deficit to only a suspended cost of living adjustment (COLA), and addition of both federal and state coronavirus relief funds. These changes resulted in increased revenue for the district. The district did not include in its 45-day revision the costs of its last three settlement agreements with employee groups (UACO, AFSCME, and unrepresented).. A summary of the district's deficit spending and ending fund balances after the 45-day revision is shown below.

2020-21 Revised (45-day) General Fund			
	Unrestricted	Restricted	Combined
Surplus/Deficit	$ 8,789,908	$ 1,135,127	$ 9,925,035
Beginning Fund Balance	$ 28,487,127	$ 37,744,796	$ 66,231,923
Ending Fund Balance	$ 37,277,035	$ 38,879,923	$ 76,156,958

Unaudited Actuals Report

On September 9, 2020, the district's governing board approved Resolution 2021-0006, which acknowledges the annual statement of all receipts and expenditures for the 2019-2020 fiscal year, also known as the unaudited actuals report (Exhibit P).

The table below shows the district's estimated actuals report (what the district-estimated annual revenues and expenditures would be in June) and the unaudited actuals (what revenues and expenditures actually were). These figures are often compared, and having a low percentage difference between the two is reflective of good budget projections and monitoring. The district's combined ending fund balance in its estimated actuals for 2019-20 differs by 2% from the same balance in its unaudited actuals for 2019-20.

2019-20 Estimated Actuals (submitted with 2020-21 budget)			
	Unrestricted	Restricted	Combined
Surplus/Deficit	$(5,559,967)	$(2,939,194)	$(8,499,161)
Beginning Fund Balance	$ 34,047,094	$ 40,683,990	$ 74,731,084
Ending Fund Balance	$ 28,487,127	$ 37,744,796	$ 66,231,923

2019-20 Unaudited Actuals			
	Unrestricted	Restricted	Combined
Surplus/Deficit	$(1,003,276)	$(6,157,616)	$(7,160,892)
Beginning Fund Balance	$ 34,047,095	$ 40,683,995	$ 74,731,090
Ending Fund Balance	$ 33,043,818	$ 34,526,380	$ 67,570,198

Variances from Estimated Actuals to Unaudited Actuals			
	Unrestricted	Restricted	Combined
Ending Fund Balance	13.7%	-9%	2%

Updated Multiyear Financial Projection

The county superintendent conditionally approved the district's 2020-21 budget. Before the county superintendent will approve the district's budget, the district is required to prepare a multiyear financial projection that includes the collective bargaining agreements that have occurred since June 2020.

The projection includes the following assumptions:

- Revenue sources include the assumptions from the 45-day revision, including Coronavirus Aid, Relief, and Economic Security (CARES) Act funding allocations
- The 2020-21 beginning fund balance is taken from the unaudited actuals report, not the 45-day revision
- Salary expenditures include the cost of labor agreements ratified from June through September of 2020, including distance learning MOUs.

A summary of the district-prepared multiyear financial projection is presented below.

Oakland Unified School District Multiyear Projection - Including All Labor Settlements Since June 2020			
	2020-21	2021-22	2022-23
Revenues			
LCFF Sources	$ 382,771,871	$ 382,771,871	$ 382,771,871
Federal Revenues	$ 97,780,468	$ 64,560,462	$ 47,442,447
Other State Revenues	$ 79,344,519	$ 78,056,951	$ 80,601,608
Other Local Revenues	$ 76,987,675	$ 76,987,675	$ 76,987,675
Total Revenues	$ 636,884,533	$ 602,376,959	$ 587,803,601
Expenditures			
Certificated Salaries	$ 214,646,403	$ 224,966,325	$ 227,890,887
Classified Salaries	$ 93,926,588	$ 89,493,745	$ 90,657,165
Employee Benefits	$ 182,999,691	$ 187,769,227	$ 199,254,608
Books/Supplies & Outlay	$ 67,728,405	$ 52,478,577	$ 45,436,200
Services & Operating Expenses	$ 63,348,008	$ 47,971,587	$ 40,798,957
Capital Outlay & Other Outgo & Transfers	$ 10,696,616	$ 10,696,616	$ 10,696,616
Total Expenditures	$ 633,345,711	$ 613,376,077	$ 614,734,433
Other Sources/(Uses)	$ (1,335,933)	$ (1,335,933)	$ (1,335,933)
Net Increase/Decrease	$ 2,202,889	$ (12,335,051)	$ (28,266,765)
Beginning Balance	$ 67,570,198	$ 69,773,087	$ 57,438,036
Audit Adjustment	$ -	$ -	$ -
Adjusted Beginning Fund Balance	$ 63,013,507	$ 69,773,087	$ 57,438,036
Ending Balance	$ 69,773,087	$ 57,438,036	$ 29,171,271

Deficit Spending Analysis of the District's Multiyear Projection

The deficit spending projected by the district has fluctuated many times, as reported in this document. Most of the fluctuations are caused by the district's use of "other adjustments – Line B10" on the multiyear projection. FCMAT strongly encourages districts to always provide a narrative corresponding to the use of the "other adjustments" line so that the board and stakeholders can accurately interpret the information being shown. The district's 2019-20 third interim report had an accurate deficit spending projection, whereas the 2019-20 second interim and 2020-21original budget showed greatly reduced deficit spending because of the use of "other adjustments."

The district prepared the multiyear projection shown above in a response to the conditional approval of its 2020-21 budget by the county superintendent. This projection includes combined deficit spending of $40.6 million and does not use the "other adjustments" line. The district must remain vigilant in its implementation of budget solutions to eliminate deficit spending, and avoid the use of unsubstantiated miscellaneous adjustments.

State and Federal Coronavirus Relief Funds

Since the beginning of the pandemic in March 2020, the state has appropriated to the district the following state and federal coronavirus relief funds:

ESSER(1)	GEER(2)	CRF(3)	P98 LLM(4)	SB117(5)	Total
$14.5M	$2.6M	$33.2M	$3.3M	$0.6M	$54.2M

(1)Elementary and Secondary Schools Emergency Relief Fund
(2)Governor's Emergency Education Relief Fund
(3)Coronavirus Relief Funds
(4)Proposition 98 state general fund
(5)Senate Bill 117 COVID-19 LEA Response Funds; ESSER, GEER, and CRF are federal funding under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act); GEER, CRF and P98 LLM funds are collectively known as Learning Loss Mitigation funds

The $33.2M portion of funding attributable to federal CRF must be expended or reasonably obligated by December 30, 2020. Through the second round of required cycle reporting (as of September 30), the district reported expending or obligating only $441,121, or 1.3%, of this funding. The average statewide expend / obligate rate was 53%. This significantly low expend / obligate rate calls into question whether the district is on track to fully use these essential funds prior to the federal deadline. The district has indicated plans to expend the complete award by December 30, 2020, with significant expenditures and encumbrances (obligations) occurring by the next reporting cycle.

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 activities that improve the district's fiscal solvency, and the district may include them but is not limited to them.

Before the first AB 1840 March 1 letter in 2019, FCMAT, the county office of education and the district agreed on the benchmarks that would be monitored. They include required benchmarks derived from the Education 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 listed below. The district has made significant progress in many business functions. Each benchmark below is followed by a brief narrative about the district's progress toward meeting the 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:
   Not complete. The district and the county office developed various staffing scenarios for business functions in the district that ultimately resulted in the adoption of an organizational structure and staffing plan. The analysis did not include a comparison with similar school districts. Last spring, the district indicated it was pursuing a contract with School Services of California, Inc. to build on the work completed to date and provide the comparison data and analysis. Due to issues refining scope, the contract was not executed. The district indicates that a contract will be executed in November 2020..

2. Adoption and implementation of necessary budgetary solutions.

   Status:
   In Progress. On March 4, 2020, the district's governing board voted to approve significant, detailed reductions identified as necessary to reduce the deficit. Additional necessary budget solutions are to be adopted by November 2020. Because the district has both a structural deficit and ongoing salary increases, it will need to continue adopting and implementing budget solutions.

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

   Status:
   In Progress. While the district had limited success with fully implementing and adhering to reductions in prior years, the actions taken in 2019-20 and 2020-21 have shown promise. The district's current approach to reductions is producing results while following industry best practices.

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

   Status:
   Not complete. As of second interim 2019-20, the district self-certified as qualified.

5. 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

   Status:
   In Progress. Consistent with its efforts to improve school quality and operate a more sustainable number of schools, the district has expanded three schools and is on track to operate five fewer schools than it did in 2017-18. This is the result of board action to consolidate eight schools into four and close another school.

   Additional actions were expected in the spring of 2020 but did not occur. The district has created a plan to move forward with further efforts, which will be presented to the board in the fall of 2020.

6. Growth and maintenance of budgetary reserves.

   Status:
   In Progress. Budget reserves have increased to 3% or more, which is higher than the statutory minimum of 2% for the district. The district has demonstrated its strong commitment to maintaining that reserve by continuing to adopt and implement needed budget reductions. Multiyear financial projections show a significant structural deficit that must be addressed for the district to maintain its budget reserves.

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

   Status:
   Not Complete. The county office conditionally approved the district's 2020-21 budget. By November 8, 2020, the county office will make a determination about its budget approval for the district.

Conditions Required for Disbursement of Funds

The Budget Act of 2020 (Assembly Bill 89, Chapter 7/2020) amended items of appropriation from the original Budget Act of 2020 (Senate Bill 74, Chapter 6/2020), appropriated $16,009,000 to the district (AB 1840 funds), and provides that the disbursement of these funds is contingent on the district's completion of the following:

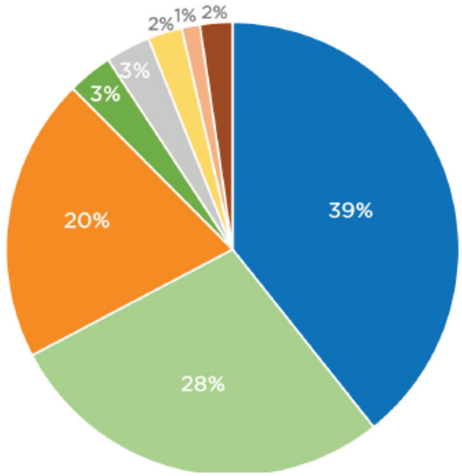
1. The required annual audit for the preceding year, and
2. Affirmative board action to update or develop short-term and long-term financial plans based on best practices and reasonable and accurate assumptions.

The required annual audit for the preceding year is normally filed no later than December 15. However, due to the pandemic, Education Code 41020.9 was added effective June 29, 2020 to extend the normal deadline for LEA annual audits from December 15, 2020 to March 31, 2021.

District-Established Benchmarks

Citywide Plan/Blueprint for Quality Schools

On May 13, 2020, the district's governing board adopted the 2020 Facilities Master Plan (Exhibit E), which identifies $3.4 billion in facilities needs. This plan will provide direction for significant capital expenditures for facilities improvements over the next 10 years. The graphic on the following page outlines the project need categories and costs.



Project Need Category		Amount ($)	Example Projects
	Building Systems	$1,352,000,000	Site modernizations, HVAC/electrical, plumbing upgrades, thermal comfort, etc...
	Educational Adequacy, Equity & Operational Efficiency	$962,000,000	Science classroom & lab upgrades, technology infrastructure, finishing kitchens, cafeterias
	Seismic	$697,000,000	Structural reinforcements & improvements
	Sites and Grounds	$110,000,000	New fields, bleachers, & lighting projects, play matting projects
	Energy / Resiliency / Sustainability	$110,000,000	Solar installation, energy storage, Living Schoolyards, heat abatement
	Accessibility	$84,000,000	Improved wheelchair ramps
	Fire and Security	$45,000,000	Fire Alarm Master Plan projects
	Coordination & Planning	$80,000,000	2025 Master Plan, Program Coordination Costs
	Total	$3,439,000,000	

Graphic source: Oakland Unified School District

On May 27, 2020, the board was given an update to the Blueprint for Quality Schools, which is included as Exhibit Q. While this was not an action item, the board reaffirmed the district's Blueprint for Quality Schools plan, which states,

> If we have fewer, sustainably sized schools in the right locations, ensure our most underserved students are placed in higher-quality programs designed to meet their needs, and support school leaders and communities with a design process that sets clear vision, goals, and strategies for improving student growth and achievement then our better resourced, more sustainable, and higher quality schools will serve all students well.

The update lists the actions taken previously by the board, and it began what should be an ongoing board discussion about how to create sustainably sized schools as outlined in the plan. It also lists long-term goals for the plan and includes an acknowledgment that COVID-19 may require adjustments and modifications.

Fiscal Vitality Plan

The district's Fiscal Vitality Plan was introduced on December 13, 2017 and is organized into three sections: 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 Fiscal Health Risk Analysis (FHRA) report published in August 2017 that described many areas in need of improvement. The analysis included 23 recommendations for action to help restore the district's fiscal health. The county office monitors the district's progress on the recommendations and works closely with the district on implementing each one.

The table below lists the 23 recommendations from FCMAT's 2017 FHRA and the current status of the district's implementation for each. Although the original deadlines given in many recommendations have long passed and the recommendation has been implemented, ongoing monitoring may be important, particularly in areas of continuing vulnerability or weakness. In such cases, FCMAT lists the current status as completed but notes the need to continually monitor.

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 continually monitor
Institute adjustments to existing central office positions	Completed as of July 2019; need to continually 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	Completed as of May 2020; need to continually maintain
Pursue capture of donated days and/or furlough	Completed as of July 2019
Adjust school per pupil allocations to capture savings	Completed; need to continually maintain
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	Completed; need to continually maintain
Institute immediate protocols to limit and review spending among central office and school sites	Completed as of July 2018; need to continually monitor
Chapter 2: Recovery (original deadline January 2019)	
Plan for and adopt a balance 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	In progress
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 preapproval of extra time employee payments	In progress
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	Completed; need to continually maintain
Chapter 3: Vitality (original deadline July 2019)	
Review and execute on shifts in expense that maximize the use of restricted funds	In progress
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

Over the past year, the district has made significant improvement in its financial planning, accuracy of reporting, and budget systems and processes. This improvement is a direct result of the intensive support and intervention being provided by the county superintendent of schools' team and implemented at the district. The county superintendent's commitment to and investment in the district's success is unparalleled. The district's governing board and superintendent are to be commended for their commitment to improvement and for the progress being made. The hiring of a permanent CBO is a vital step in the district's continued improvement and progress toward full implementation of budget decisions.

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

Sincerely,

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