30TH ANNIVERSARY
FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Annual Review

November 16, 2022

Alameda County Office of Education

Michael H. Fine
Chief Executive Officer

30TH ANNIVERSARY FCMAT FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

November 16, 2022

L. K. Monroe, Superintendent
Alameda County Office of Education
313 West Winton Avenue
Hayward, CA 94544

Dear Superintendent Monroe:

In July 2020, the Alameda County Superintendent of Schools and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to perform the following:

> Prepare an initial analysis of the county office fiscal oversight provided to the Oakland Unified School District using FCMAT's County Office Evaluation Tool, and make recommendations for improvement, if any.

The July 2020 study agreement also covers annual follow-up evaluations.

This report contains FCMAT's findings and recommendations from the first annual evaluation of the county office's oversight of the Oakland Unified School District.

FCMAT appreciates the opportunity to serve the Alameda County Office of Education and extends thanks to its staff for their cooperation and assistance during this review.

Sincerely,

Michael H. Fine
Chief Executive Officer

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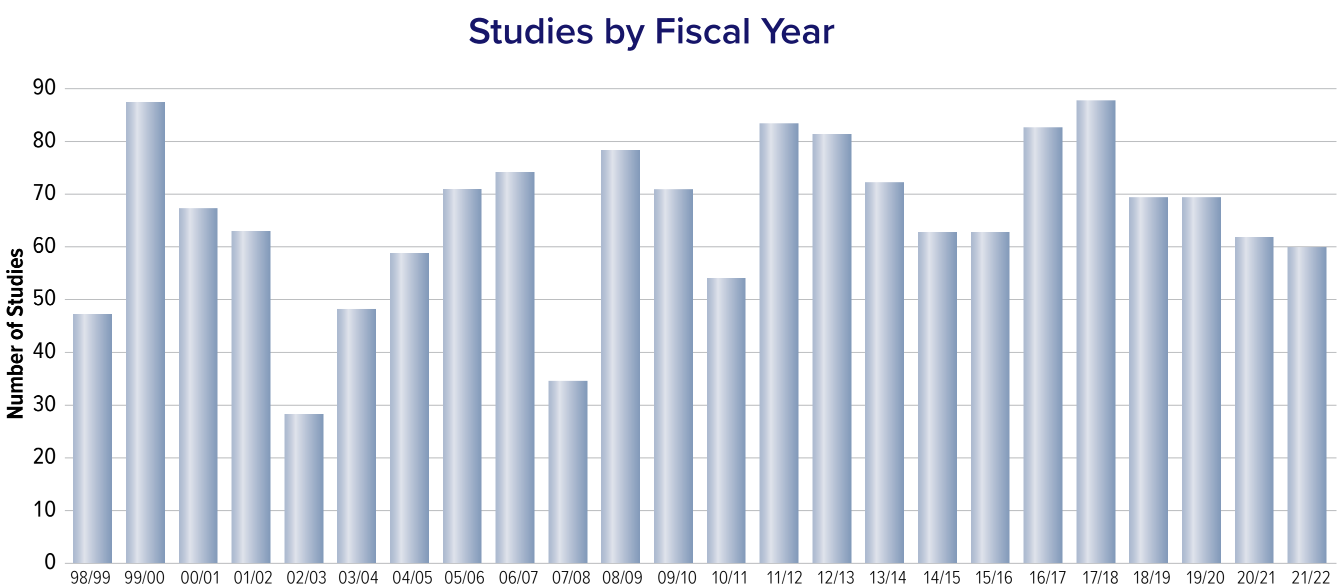
About FCMAT

FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state superintendent of public instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.



FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms. FCMAT also develops and provides numerous publications, software tools, workshops and professional learning opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

On September 17, 2018, AB 1840 was signed into law. This legislation changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

Since 1992, FCMAT has been engaged to perform more than 1,400 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

In September 2018, Governor Brown signed Assembly Bill (AB) 1840, making significant changes in how insolvent school districts are administered after they receive a state emergency appropriation. As part of that legislation, found in Education Code Section 41326(l), the Fiscal Crisis and Management Assistance Team (FCMAT) was given the responsibility of reviewing the fiscal oversight performed by a county superintendent of schools for any district receiving an emergency apportionment. FCMAT is required to report its findings to the Legislature and to provide a copy of that report to the Department of Finance, the superintendent of public instruction (SPI), and the president of the State Board of Education (SBE). This report is required to include findings regarding fiscal oversight actions that were or were not taken, and may include recommendations for an appropriate legislative response to improve fiscal oversight of school districts.

In the years following the initial FCMAT report on the fiscal oversight performed by the county superintendent of schools, FCMAT will perform annual reviews until the district exits receivership. These reviews will assess the effectiveness of the county superintendent of schools's oversight and its involvement with the district, including during the period that led to the district's declaration of insolvency.

On May 30, 2003, the governor approved Senate Bill (SB) 39 (Chapter 14/2003), bringing the Oakland Unified School District under state receivership and providing the district a state emergency appropriation of $100 million. The loan was needed to meet cash flow needs, and mitigate the impact of deficit spending. The district requested $65 million of the $100 million on June 4, 2003 to make the June payroll and cover its severe negative cash position. The remainder of the $100 million authorized by the legislation was requested by the district in late June 2006.

In 2006, a portion of the state loan was refinanced by the sale of $59.6 million (principal in accrued interest) worth of California Infrastructure Economic Development Bank (I-Bank) bonds. After the refinancing, the state general fund portion of the loan was $35 million and the I-Bank portion was $59.6 million.

County Office Evaluation Guidelines

FCMAT entered into a study agreement with the Alameda County Superintendent of Schools on July 25 2020, for both the initial and annual evaluations required by Education Code Section 41326(l). A study team visited the county office on August 20, 2020 for the initial evaluation and again on May 9, 2022 for the first annual evaluation to conduct interviews, collect data and review documents. Following fieldwork, the study team continued to review and analyze documents. This report is the result of the activities and actions related to the first annual evaluation.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Study Team

The team was composed of the following members:

Joel Montero
FCMAT Consultant

Nicolas Schweizer
FCMAT Consultant

Misty Key
FCMAT Consultant

Sheldon Smith
FCMAT Consultant

Michelle Giacomini
FCMAT Deputy Executive Officer

John Lotze
FCMAT Technical Writer

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the analysis.

County Office Evaluation Tool

The Fiscal Crisis and Management Assistance Team (FCMAT) has developed the County Office Evaluation Tool (COET) for initial and annual evaluations to help assess the effectiveness of a county superintendent of schools' fiscal oversight and support of school districts that have received an emergency apportionment.

The annual COET includes 10 questions and is intended to satisfy the requirements of Education Code Section 41326(l) for review and assessment of the county superintendent of schools' fiscal oversight and support related to a school district's recovery. The tool is focused on the status of the district's recovery, the continuing implementation of the long-range recovery plan (LRRP), the role of the administrator or trustee, the multiyear financial projection (MYFP), and how the county superintendent of schools is addressing elements that received an answer of "No" in the initial evaluation. FCMAT used the COET during interviews with multiple staff from both the district and the county office, and with the district's trustee.

The COET identifies the key review elements performed by the county superintendent of schools in their fiscal oversight and support of the district, and their ability to communicate effectively with the trustee, district staff, and board. FCMAT also gathered information through an initial document request before the on-site interviews. The team's conclusions are compiled in the report as a narrative, with recommendations noted as appropriate. In addition, the team addressed questions related to the overall implementation of Education Code Section 41326(l) and made recommendations to support that process, including a restatement of the trustee's specific roles and responsibilities.

The county superintendent of schools' objective, supported by the trustee and other components of a recovery team (FCMAT, the California Department of Education and the SBE), is to facilitate the full recovery and address the major elements of the LRRP of the Oakland Unified School District so that it can govern independently, maintain solvency, and effectively support the education of all students.

Summary

The Alameda County Superintendent of Schools provides fiscal oversight to all of the county's school districts as a result of AB 1200 legislation, which was signed into law in 1991 and is expressed in Article 2, Chapter 6 of Part 24 of the California Education Code starting with Section 42120 and/or Section 1240(b).

FCMAT assessed the county superintendent of schools' involvement with the district during its normal oversight responsibilities and specifically during the period that led to the district's declaration of insolvency and beyond, up to and including the date of the initial evaluation. During the initial Education Code Section 41326(l) evaluation, FCMAT reviewed the fiscal oversight of the Oakland Unified School District by the county superintendent of schools using documents prepared by county office of education staff. FCMAT asked a series of questions relating to the time leading up to the insolvency and reviewed the oversight practices of the county superintendent of schools.

The annual evaluation focuses on the status of the district's recovery, whether the district has made progress since the last evaluation, and how effectively the county superintendent of schools supports the district's staff, board, and trustee in that process. In addition, the annual evaluation reviews any area from the initial evaluation that received an answer of "No" on the COET and determines if those issues have been addressed.

FCMAT's findings in this annual evaluation indicate the county superintendent of schools works conscientiously to support the district's recovery but has only marginally addressed the findings and recommendations indicated in the LRRP. Interviews with staff from both the district and the county superintendent of schools' office indicate that significant systems issues remain, which are identified in the original LRRP. Progress toward recovery is slow, hampered by staff turnover and lack of focus, and by community dissatisfaction with decision making on multiple fronts.

The county trustee and the county superintendent of schools have a firm understanding of the actions and procedural changes required for the district to exit from receivership. The county trustee (the Alameda county superintendent refers to this position as the fiscal oversight trustee) has worked to cultivate and foster the relationships and trust needed to change behavior and has brought an optimistic outlook to the oversight process. Both the trustee and the county superintendent of schools feel fully supported by each other.

The county superintendent of schools has a significant focus on the district's recovery. In addition to its normal oversight responsibilities and duty to oversee the district's implementation of the LRRP, the county superintendent of schools has recently supplied the district with external consultants to help with governance, boardsmanship, budget development, systems development, and other identified areas of focus as needed. Because this assignment of external consultants is new, the effectiveness of their work and its effect on the district's recovery is not yet measurable. Multiple interviewees expressed the opinion that the county superintendent is helpful in the technical and fiscal aspects of district operations.

Although the district has been in recovery for many years (the district received the emergency appropriation in 2003), multiple people interviewed expressed the view that the district is not fully recovered. Multiple plans have been created to move the district toward recovery rather than simply following the LRRP, and evidence of progress is mixed.

The county superintendent of schools has not established a formal process to evaluate the work of the county trustee. FCMAT suggests creating a formal evaluation process that includes specific measurable goals and sharing the result of that with the president of the SBE and the SPI.

County office staff relayed concerns about the district's fiscal health. The 2021-22 financial data shows that the district projects deficit spending in subsequent years. Staff identified multiple issues that could exacerbate the district's lack of sound financial health. The county superintendent of schools' staff expressed frustration about the accuracy of district information, noting a lack of consistency and focus. Although there is a satisfactory awareness of future deficit spending, the district has no plan to mitigate the issue, including potential deficits that might be obscured by one-time COVID-19 relief funds.

FCMAT found that communication among the county superintendent of schools, county office staff and county trustee in the current model of oversight was timely and consistent with a focus on district recovery.

Fiscal oversight documents and written procedures have been improved since FCMAT's initial visit in August 2020. The county superintendent of schools' District Business Advisory Services Department has improved its oversight of the district. The following section of this report focuses on FCMAT's implementation of the annual COET, including general findings and, in some cases, recommendations for improvement. All the areas assessed are listed below with an associated narrative. If a deficiency in the area is material, it is noted in the narrative.

This first annual evaluation report creates a baseline for future visits by FCMAT and should assist in monitoring the district's progress toward recovery and its eventual return to self-governance without a trustee who has stay and rescind authority.

Findings

1. **Was the Long Range Recovery Plan (LRRP) developed by the administrator within the statutory timelines? Alternatively, has the county office of education (COE) adopted the FCMAT Comprehensive Review in lieu of the LRRP? Have the plans been consistently updated by the trustee and/or the COE?**

The county superintendent of schools has deviated from the LRRP format by working with the district to develop a fiscal vitality plan and a fiscal sustainability plan. The district's fiscal vitality plan was developed by WestEd during the 2017-18 school year with the intent of aligning it with the LRRP while FCMAT was performing a fiscal health risk analysis (FHRA). The fiscal sustainability plan was first published as a draft document in 2017-18 and as a final plan in 2018-19. The district updated the fiscal vitality plan during 2018-19 and called it their AB 1840 plan.

In addition to the fiscal vitality plan and fiscal sustainability plan, an intensive support and technical assistance (ISTA) project was begun in 2019, which intends to track the district's fiscal improvement efforts resulting from the fiscal vitality plan. The ISTA tasks, timelines, duties, and element completion are tracked in Asana, an online project management tool.

The basis for the fiscal sustainability plan, as stated on page 1 of the board cover memorandum, is as follows:

> The proposed three-year Fiscal Sustainability Plan ("FSP") is meant to serve as a new plan and successor to the FVP. The FSP identifies five areas that the District needs to prioritize to continue on [sic] its path to fiscal sustainability: Budget and Operational Practices; Budget Development and Stakeholder Engagement; School Quality and Enrollment; Use of Restricted Resources; and Ability to Make Difficult Decisions. For each of these priorities, the FSP notes that the Superintendent is to annually: develop specific actions for each priority; ensure that such actions are implemented; and provide a summary of which actions were fully implemented, partially implemented, and not implemented. Under the Resolution, the Board would adopt the FSP and directs the Superintendent to take the annual actions described there.

FCMAT reviewed all the mentioned plans. The goals and objectives of each are consistent with the findings and recommendations of the LRRP. The district updates the plans simultaneously. Many of the tasks and actions required for the district's fiscal solvency carry over from previous plans. When addressed, items in the plans are marked as "completed." It was not clear to FCMAT what the process was to validate completion, and some of the completed items seem to carry forward into subsequent year plans.

The ISTA project that is monitored and tracked in Asana illustrates the district's and county superintendent of schools' good intention for applying project management to the district's fiscal solvency efforts by breaking down actions into smaller tasks, assigning a person responsible for those tasks, and creating a timeline by which the tasks are to be completed. The document provided to FCMAT from Asana includes numerous incomplete tasks, with the last update in November 2021, specifically relating to the essential task of enrollment projections.

The county trustee is aware of the numerous plans and works to facilitate their implementation. She commented that there is some effort underway to consolidate some of the plans, and it is her responsibility to ensure that the documents continue to address those areas of the original LRRP that are most critical to the district's full recovery.

2. What role has the COE played in implementing the Long Range Recovery Plan?

The county superintendent of schools attempts to support the district's effort to become fiscally solvent. Although the primary focus has been on fiscal issues, more recently the county trustee has increased her focus on the other four operational areas of the LRRP.

The county superintendent of schools further supports the district by allowing the county trustee to work with consultants in governance and with the district's board of education members on boardsmanship. Additionally, the county superintendent of schools has created a position funded by the California Collaborative for Educational Excellence (CCEE) to increase the district's student achievement. The county superintendent of schools also hired a well-known fiscal consultant to assist the district under the direction of the county superintendent of schools' chief business official (CBO) and county trustee. It is apparent that the county superintendent of schools provides fiscal support and personnel to the district, but FCMAT's interviews did not yield specific information about the effect of the various consultants. The team heard from more than one interviewee a concern that a number of consultants are rotating through the district without creating any meaningful positive change, and that they do not help provide or promote capacity building for the district. The consultants are new, so the effectiveness of their work and its impact on the district's recovery are not yet clear. There is a commonly held feeling among district staff that the county superintendent is helpful in technical and fiscal matters.

Responses to the question of whether the county superintendent of schools' office is helpful overall were mixed. Most agree that the county superintendent of schools' office is helpful with the technical aspects of running a district, but it has problems with the nontangible issues such as governance, board stability, and parent opposition to school closures. Because the district is in the county trustee phase of recovery, the county superintendent of schools' involvement in the day-to-day operations of the district is appropriately at arm's length. In response to the question of whether the county superintendent of schools is a help or a hindrance, most respondents stated that overall they are a help and need to be part of the solution and not part of the problem. The opinion of upper-level district administrators is that the county superintendent of schools is strong on the technical aspects of school district operations and fiscal oversight but weak on navigating the emotional and governance (sometimes referred to as the political) aspects of district operations.

County superintendent of schools' staff indicated in their interviews that the biggest challenge is building capacity in the district and the board. A partnership requires two parties, but the district does not want to be a partner, or is a selective partner depending on the issue. District staff stated in separate interviews that the county superintendent of schools does not teach the team and provides little in the way of capacity building, which is an issue in the district. It is clear that there is a disconnect in perception between county superintendent of schools' staff and district staff. FCMAT recommends that both agencies work to mitigate these issues as they are an impediment to full recovery.

3. What process has the COE used to monitor the progress of implementing the LRRP or the FCMAT Comprehensive Review for the district?

The interviews did not elicit any added information related to monitoring the LRRP or the FCMAT Comprehensive Review other than references to the fiscal vitality plan and the fiscal sustainability plan, and some additional comments about tracking the district's and county superintendent of schools' progress in Asana. The county trustee indicated that she uses the fiscal vitality plan for direction and to measure progress.

The supplied documents demonstrate that the trustee communicates, especially in areas where the district is under FCMAT and auditor review, such as with the district's latest qualified financial status and the FCMAT Fiscal Health Risk Analysis requested by the district after a conditionally approved budget in 2017.

The county superintendent of schools supplied FCMAT with an overview document titled "Asana ACOE-OUSD Project Links and Description." Asana attempts to track the four major initiatives (ISTA, vitality and sustainability plans, audit findings) that the county superintendent of schools oversees that affect the district. It is laudable that the county superintendent of schools attempts to use project planning to track implementation, deadlines, progress towards meeting deadlines, and the required tasks for both the county superintendent of schools and the district; however, the Asana implementation lacks the documented accountability needed. The last Asana action, in documents provided to FCMAT, was in November 2021.

4. **What role has the trustee played in maintaining the financial recovery plan in cooperation with the COE?**

The county trustee was previously the district's interim chief business official. According to most of the interviewees, the county trustee is tasked with assessing the needs in all five operational areas of the LRRP, though most of her time is focused on finance. Because of this, consultants are used to support the other operational areas.

Interviews revealed a consistent belief that the district is not close to full recovery. When asked to expand on this statement, interviewees stated that there is a district culture that includes fiefdoms, a lack of personal accountability, and hiding from the system rather than using the system to effect positive change. They further stated the opinion that the senior leadership team, commonly known as the superintendent's cabinet, abdicates responsibility (and thus accountability) as they frequently blame an outside agency (e.g., county superintendent of schools, FCMAT, California Department of Education) for incomplete tasks, failure of initiatives, lack of oversight, and lack of accountability. These were severe criticisms of the system, and any tendency to avoid responsibility and accountability undoubtedly has an impact on the district's recovery and its ability to provide for a quality education for all students.

The trustee meets with district board members and has direct access to them. She indicated that she works with them on boardsmanship, interactions with staff, and community relations. The trustee writes and submits reports and summaries to the county superintendent of schools regarding any significant reports or studies of the district. The trustee analyzes the district's budget and the auditor's report. The trustee indicated that she feels supported by the county superintendent of schools and that her independence is unencumbered and without pushback.

5. **What is the status of the district's budget in regard to deficit spending, fund balance, and reserve for economic uncertainties?**

No updated budget documents were submitted to FCMAT other than the district's 2020-21 unaudited actuals. A review of the district's 2021-22 second interim budget (downloaded from the district's website) showed the following:

- The district filed its second interim budget as “qualified” (meaning it may not meet its financial obligations in the current or two subsequent years) but reported having reserves greater than 7% in all three years. The minimum reserve for economic uncertainty is 2% based on the district’s size.
- The district’s assumptions listed on the unrestricted MYFP form did not make sense and were inconsistent with state and local directives.
- The district projects and has budgeted for a decrease of at least 3,000 (equal to at least 10%) in average daily attendance (ADA) because the COVID-19 hold harmless provision was due to end June 30, 2022 (at the time of fieldwork), but was revised because of the 2022-23 state budget.
- The district projects no deficit spending of unrestricted funds, but significant deficit spending of restricted funds, because of how the one-time restricted dollars are accounted for (no offsetting revenue to the planned expense). COVID-19 funding obscured the district’s structural deficit. This anomaly indicates issues with the district’s budget development related to staffing, collective bargaining, and planning for subsequent years.
- The district has positive cash flow because of the one-time funds: it projected a $400,000 shortfall for May 2022, but finished the year with positive cash. The county superintendent of schools reports that, because of the availability of one-time funding, 2021-22 is the first year in recent history that the district has not had to borrow cash.

6. What process does the COE use to assess cash flow?

Both the county superintendent of schools and the district monitor the district’s cash flow and cash position at least monthly. Even with the large amount of one-time funds that the district has received for COVID-19, the CASH worksheet shows a $400,000 cash shortfall in May 2022 but also shows the district finishing the 2021-22 year with positive cash.

There is a prescribed process for the county superintendent of schools to regularly provide short-term cash loans to supplement cash when it is needed. This typically occurs during months in which a negative cash balance is projected in years when there are not large amounts of one-time funding and there are cash pressures monthly, creating a cash flow problem that must be mitigated by borrowing. It was evident from interviews and documents that both the county superintendent of schools and the district monitor cash and take appropriate action when shortfalls are expected.

7. Has the COE fulfilled all of the statutory requirements for fiscal oversight in accordance with all applicable sections of the Education Code?

Based on interviews and documents, the county superintendent of schools has fulfilled all the statutory requirements for fiscal oversight in accordance with the applicable Education Code sections. In the past, the county superintendent of schools’ office created little documentation when providing fiscal oversight. However, now the evidence shows that the office has developed budget review documents including district communication; investigative questions for when an action or expense does not look correct; technical memos to district budget staff; and budget letters. In addition, it has increased the number of oversight areas (e.g., enrollment and ADA monitoring and reasonability check, payroll analysis, collective bargaining agreement analysis, fund comparison over time, audit review, liabilities). The number of upgraded processes and documents, as well as the accountability, is commendable.

After FCMAT's initial county office evaluation report dated March 30, 2021, the county superintendent of schools adjusted its fiscal oversight processes and procedures so that there is more detailed and comprehensive fiscal oversight of the district; now fiscal oversight practices and procedures are at or above industry standards.

The most revealing document is the "AB 1840 Spring Review – Corrective Action" (August 2021). This document, supplied by the county superintendent of schools, is a point-by-point description of the corrective actions its District Business Advisory Services Department (DBAS) undertook because of the first FCMAT visit on August 20, 2020. The document includes a timeline of events and an accompanying slide presentation to the county superintendent of schools illustrating the changes to the oversight process since the initial county office evaluation report dated March 30, 2021. The slide presentation shows process changes in all the major areas of the county superintendent of schools' fiscal oversight, such as ADA tracking, the submission checklist, MYFP assumptions, Local Control Funding Formula (LCFF) analysis, findings documentation and communication to the district, audit review and corrective actions, and other essential items. It is evident that the department uses a calendar- and deadline-driven process to help complete oversight tasks.

A "Notes from the Meeting" section of the above document illustrates the specificity required for district oversight. From reviewing district documents to proofreading and checking the integrity of the letter to the district, the notes indicate that the county superintendent of schools is working at or above industry standards for district oversight.

The section titled "Update for L.K.: Changes to DBAS" lists various internal DBAS tasks and steps the department will take to better assist the district. Some of the areas listed in the section include documenting conclusions on oversight checklists, final chief review, the department hosting training sessions, and collective bargaining review.

8. Has the COE performed timely evaluations of the trustee?

Both the county superintendent of schools and the county trustee indicated that there is no formal evaluation process. The trustee meets with the county superintendent of schools every two weeks, and updates are verbal rather than written. The county superintendent of schools corrects and redirects the county trustee's actions during these meetings. FCMAT recommends creating a formal process for the evaluation of the county trustee that is written and that includes measurable goals that support the district's recovery and that can be assessed annually. The result of the annual evaluation cycle should be documented and shared with the president of the SBE and the SPI.

9. Is the trustee present at board meetings and closed sessions? Has the trustee used stay or rescind authority and, if so, regarding what issue?

The trustee is present at all board meetings, closed sessions, and senior leadership team/cabinet meetings. The trustee had been in this role for eight months as of May 2022 and had not yet used stay or rescind authority.

10. What is the status of the district's recovery?

The majority of individuals interviewed indicated that the district is not fully recovered. Although multiple plans have been created to move the district forward, the evidence of progress is mixed and mostly unverified. Most district personnel believe the district is closer to recovery than do county superintendent of schools' personnel. This is not unusual. However, what is unusual is the degree to which the parties disagree; the difference in opinion and perspective is vast. FCMAT recommends consolidating the district's plans for recovery into one plan that includes measurable goals that are consistent with the district's ongoing needs as identified in the LRRP and by other parties. Of particular focus should be a review of the systems that support essential district functions. The county superintendent of schools should be a cooperative collaborator in this process, adding support and resources where possible. Both agencies have a responsibility to the community and students to reduce the level of dissonance and mistrust that currently exists between them.

The total loan outstanding as of July 1, 2022 is $11.8 million. The I-Bank portion of the loan matures in January 2023; the general fund portion of the loan matures in June 2026.

General Conclusions and Recommendations

The Oakland Unified School District and the Alameda County Superintendent of Schools have multiple issues at multiple levels that both agencies must overcome to have a well running school district and to achieve measurable progress toward the district's recovery. To make more progress, the county superintendent of schools and the district need to better align support and overall cooperation.

The district has been under a combination of state and county receivership for 19 years and has created a set of operational norms. The culture that once created a systems collapse and eventually led to the largest emergency appropriation in the history of the state was the responsibility of both the county superintendent of schools and the district. Recovery is now also a common responsibility and must be achieved so that every student has access to a quality education and a rich future.

With these facts in mind, the county trustee should facilitate and support the district, and the county superintendent of schools should support the trustee, the district superintendent and board, to carry out the following actions related to district recovery:

1. Consolidate the fiscal vitality plan, the fiscal sustainability plan and the intensive support and technical assistance into one plan like the LRRP, and ensure this single plan is consistently updated.
2. Consider starting the fiscal systems audit in Education Code Section 41320.1(a)(4), which is required before repayment of the loan.
3. Clarify the assumptions used in the district's MYFP.
4. Review and communicate the district's budget development process so activities to reduce expenditures are effective in providing the most efficient and appropriate facilities for all children and so the board and community understand the fiscal and operational benefits of such activities.
5. Develop measurable goals that support the district's recovery and that can be assessed annually.
6. Continue to improve the district's academic program using the CCEE's recommendations so that the core academic programs can serve all students.

The next annual review will assess progress toward these goals.

The transition from state to county administration because of changes in law (AB 1840) is continuing to evolve. In part, the purpose of these annual reviews is to clarify the roles and responsibilities of all the concerned and involved parties so that they can assist and support district's recovery. This report attempts to assess the district's recovery status and the critical support and oversight provided by the county superintendent of schools' office, and establish the baseline for the next annual review, which will occur approximately one year from the publication of this report.

Appendices

Appendix A: Trustee Roles and Responsibilities

Appendix B: Study Agreement

Appendix A: Trustee Roles and Responsibilities

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Trustee
Roles and Responsibilities

Acceptance by a district of an emergency state apportionment made pursuant to Section 41320 constitutes an agreement by the district that a trustee will be appointed to ensure the district's fiscal recovery and solvency per Education Code Section 41320.1. The trustee shall be appointed jointly by the county superintendent, the Superintendent of Public Instruction (SPI), and the president of the State Board of Education. The trustee should have recognized expertise in management and finance, shall report directly to the county superintendent, and shall serve until the district has adequate fiscal systems and controls in place and the SPI has determined that the district's future compliance with the fiscal plan approved for the district pursuant to Section 41320 is probable.

The trustee shall monitor and review the operations of the district, and shall perform the following functions:

1. Serve in a fiscal oversight capacity until the district has adequate fiscal systems and controls in place, and future compliance with the approved recovery plan is probable.

2. Provide advice and make recommendations to district staff and governing board members regarding budgetary, fiscal, or other issues that may affect the financial condition of the district.

3. Attend all meetings of the governing board and review all governing board materials prior to each board meeting to determine if any items or intended action will have a negative fiscal impact on the district's financial condition.

4. Stay or rescind an action of the governing board of the district or of the personnel commission where, in the judgment of the trustee, the action may adversely affect the financial condition of the district or be contrary to the district's approved recovery plan.

5. Notify the county superintendent of schools when a stay or rescind of a governing board decision is made. The county superintendent then shall notify the Superintendent and the president of the state board or his or her designee within five business days.

6. Monitor the financial projections and cash balances of all district funds for the current and two subsequent fiscal years, and, if necessary, assist district staff in preparing these projections.

7. Monitor all collective bargaining activity and review all proposals being considered, including the resulting fiscal impact.

1/17/2022

8. Regularly meet with the district superintendent and chief business officer to obtain updates on the district's efforts to reduce expenditures or enhance revenues.

9. Assist the county superintendent with establishing timelines and prescribing formats for reports and other materials to be used to monitor and review the operations of the district and recovery.

10. Communicate openly and timely with the county superintendent, district staff, governing board, and community, and promptly inform the county superintendent of critical issues or incidents.

11. Review and approve the district's required annual report of the financial condition of the district, including all of the following information:

    (1) Specific actions taken to reduce expenditures or increase income, and the cost savings and increased income resulting from those actions, to ensure the revisions are consistent with the district's needs and recovery plan.
    (2) The adopted budget for the current fiscal year.
    (3) Reserves for economic uncertainties.
    (4) Status of employee contracts.
    (5) Obstacles to the implementation of the adopted recovery plan.

12. Using the Fiscal Crisis and Management Assistance Team's (FCMAT's) Fiscal Health Risk Analysis, annually evaluate the district's risk of insolvency in the current and two subsequent fiscal years and communicate findings to the county superintendent.

13. Determine, with concurrence from the county superintendent and SPI, that future compliance by the district with the approved recovery plan (LRRP) is probable so that the district can meet its future financial obligations.

14. Provide regular updates to the county superintendent regarding the progress of the district toward fiscal stability.

15. Consult with, and seek recommendations from, the county superintendent, the SPI, and FCMAT in ensuring the fiscal recovery and solvency of the district.

16. With approval from the county superintendent, the SPI, and the president of the state board, retain the authority and responsibilities of an administrator, as set forth in Education Code Section 41325.

17. Assist in related matters as needed regarding the district's fiscal recovery and solvency, in accordance with Education Code Sections 41320.1, 41321, and 41322.

18. Review the financial and budgetary conditions of the district, including an analysis of internal controls, and determine if it may be unable to meet its financial obligations for the current or two subsequent fiscal years, or should receive a qualified or negative interim financial certification.

19. Meet with appropriate district staff, as needed, to assess fiscal health, organizational structure and staffing, effectiveness of internal controls, and other related concerns.

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20. Consult with the governing board on fiscal and budgetary matters, facilities projects, debt obligations and other operational areas, as needed.

21. Provide recommendations for improvements in district processes related to the budget, including position control, areas for cost containment, reducing unrestricted contributions from the general fund, etc.

22. Confirm that the district conducts its business operations in compliance with statutory requirements and within acceptable legal and professional standards.

23. Advise county superintendent regarding potential action to improve or protect the fiscal solvency of the district.

24. Provide additional support, technical assistance, professional learning, and advice outlined in the five operational areas defined by Education Code Section 41327.1 in the Long Range Recovery Plan (LRRP). Focus on assisting the district in addressing recommendations identified in the LRRP to support maintaining future solvency, organizational effectiveness and recovery. Report annually to the county superintendent regarding the progress made by the district in implementing LRRP.

1/17/2022

Related Education Code Sections: 41320, 41320.1, 41322

1/17/2022

Appendix B: Study Agreement

FCMAT
FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
February 7, 2020
AMENDED STUDY AGREEMENT
July 21, 2020

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Alameda County Office of Education, hereinafter referred to as the COE, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). In accordance with Education Code Section 41326(1), the team has been assigned to review the fiscal oversight performed by the COE specific to the district receiving an emergency apportionment. The team may include staff from FCMAT, county offices of education, the California Department of Education, or private contractors. All work shall be performed in accordance with the terms, standards and conditions of this agreement.

FCMAT is required to report its findings to the Legislature and provide a copy of the report to the Department of Finance, the superintendent of public instruction, and the president of the State Board of Education. The county superintendent will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

Prepare an initial analysis of the county office fiscal oversight provided to the Oakland Unified School District using FCMAT's County Office Evaluation Tool, and make recommendations for improvement, if any.

B. Services and Products to be Provided

1. Orientation Meeting – The team will conduct an orientation session at the COE to brief COE management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review – The team will conduct an on-site review at the COE office and at the Oakland Unified School District if necessary.
3. Draft Report – Electronic copies of a draft report will be delivered to the county superintendent for review and comment.
4. Final Report – Electronic copies of the final report will be delivered to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.

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3. **PROJECT PERSONNEL**

The FCMAT study team will include:

A. Joel Montero	*FCMAT Retired CEO*
B. Nick Schweizer	*FCMAT Consultant*
C. Misty Key	*FCMAT Consultant*

Other equally qualified staff or consultants will be substituted in the event one of the above individuals is unable to participate in the study.

4. **PROJECT COSTS**

Pursuant to Education Code 41326(1), costs for the study shall be as follows:

A. All staff member and consultant daily rates and expenses will be covered by FCMAT's state apportionment.

B. **Based on the elements noted in section 2A, the total cost of the services is $0.**

5. **RESPONSIBILITIES OF THE COE**

A. The COE will provide office and conference room space during on-site reviews.

B. The COE will provide the following items:

1. Current or proposed detailed organizational charts.
2. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the COE and sent to FCMAT in electronic format.
3. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the COE will upload all requested documents.

C. The county superintendent will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report. All such comments should be provided to the team within five working days after receipt of the draft.

Pursuant to Education Code (EC) 45125.1(c), representatives of FCMAT will have limited contact with pupils. The COE shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

Fieldwork will occur August 20, 2020.

7. COMMENCEMENT AND COMPLETION OF WORK

The FCMAT team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the COE and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. The COE understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the COE shall not request that it do so.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the COE. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the COE in any manner without prior express written authorization from an officer of the COE.

9. INSURANCE

During the term of this agreement, FCMAT shall maintain liability insurance of not less than $1 million unless otherwise agreed upon in writing by the COE, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. FCMAT shall provide certificates of insurance, with Alameda County Office of Education named as additional insured, indicating applicable insurance coverages upon request prior to the commencement of on-site work.

10. HOLD HARMLESS

FCMAT shall hold the COE, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the COE shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

11. CONTACT PERSON

Name: L. Karen Monroe
Telephone: (510) 887-0152
E-Mail: lkmonroe@acoe.org

SIGNED BY L. KAREN MONROE FEBRUARY 25, 2020
L. Karen Monroe, County Superintendent Date
Alameda County Office of Education

February 7, 2020
Michael H. Fine Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team

AMENDED STUDY AGREEMENT

7.25.2020
L. Karen Monroe, County Superintendent Date
Alameda County Office of Education

July 20, 2020
Michael H. Fine Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team

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