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Board Cover Memorandum

To Board of Education

From Mike Hutchinson, Board President
Sam Davis, Board Member

Meeting Date March 8, 2023

Subject Initiating the Process for a Fiscal Systems Audit

Ask of the Board Introduction to the Board of Education of Resolution No. 2223-0044 - Initiating the Process for a Fiscal Systems Audit

Background In 2003, the State took over the District after the latter was not able to meet its financial obligations. As part of that takeover, the State authorized a loan of up to \$100 million for the District. The Superintendent of Public Instruction (“SPI”) also assumed all of the Board of Education’s rights, duties, and powers and appointed an administrator to run the District.

The administrator borrowed all \$100 million from the State. A portion of the loan was subsequently refinanced by the sale of California Infrastructure Economic Development Bank bonds (“I-Bank loan”) that reduced, but did not eliminate, the State General Fund loan, leading to two loans.

On June 28, 2009, the Board’s full rights, duties, and powers were reinstated, with the exception that a trustee was appointed with the ability to stay and rescind any action of the Board that, in the judgment of the trustee, may affect the financial condition of the District.

There are certain steps that must be met before the District can regain complete democratic control of the District. Under Education Code section 41320.1, the trustee “shall serve until the school district has adequate fiscal systems and controls in place, the [SPI] has determined that the school district’s future compliance with the fiscal plan approved for the school district . . . is probable, and the county superintendent of schools, the [State Superintendent of Public Instruction], and the president of the state board or his or her designee decide to terminate the trustee’s appointment.” However, even “[a]fter the trustee’s period of service,” Alameda County Superintendent Castro may retain the ability to stay and rescind any action of the Board until the District’s loans are repaid.

Education Code section 41320.1 also states, in relevant part, that there needs to be “an audit of its fiscal systems,” conducted by an auditor selected from a list established by the Superintendent and the Controller, before OUSD may fully repay its loans.

On December 15, 2021, the Board approved Resolution No. 2021-0163B - Committing Sufficient Funds to Fully Repay State Loan, which “committed” \$21.5 million “from the Base Unrestricted General Fund and/or from the allowable use of any applicable one-time fund and/or one time transfer of expenditures for the exclusive purpose of prepaying one or both of the I-Bank and the State General Fund loans and/or making the debt service payments on the I-Bank and the State General Fund loans.”

The I-Bank loan was paid off in January 2023 and the last payment on the State General Fund loan is scheduled for June 2026.

Discussion

The proposed resolution would direct the Superintendent or designee to initiate the process for a fiscal system audit. At the very least, this would include selecting an auditor from the list established by the Superintendent and the Controller and then bringing forward a contract with an auditor for Board approval by the end of the fiscal year.

Fiscal Impact

Cost of the audit to be determine. The audit contract will come separately to the as a separate item for consideration and action.

Attachment(s)

- Resolution No. 2223-0044 - Initiating the Process for a Fiscal Systems Audit
- Resolution No. 2021-0163B - Committing Sufficient Funds to Fully Repay State Loan
- Education Code section 41320.1

**RESOLUTION OF THE
BOARD OF EDUCATION OF THE
OAKLAND UNIFIED SCHOOL DISTRICT**

Resolution No. 2223-0044

Committing Sufficient Funds to Fully Repay State Loans

WHEREAS, as a result of the District not being able to meet its financial obligations, the State authorized a loan of up to \$100 million for the District and, consistent with state law at the time, the Superintendent of Public Instruction (“SPI”) assumed all of the Board of Education’s rights, duties, and powers and appointed an administrator to run the District;

WHEREAS, the State-appointed administrator borrowed all \$100 million from the State and a portion of the loan was subsequently refinanced by the sale of California Infrastructure Economic Development Bank bonds (“I-Bank loan”), leading to two outstanding loans for the District;

WHEREAS, the Board’s full rights, duties, and powers were reinstated on June 28, 2009, with the exception that a trustee was appointed with the ability to stay and rescind any action of the Board that, in the judgment of the trustee, may affect the financial condition of District;

WHEREAS, it is in the interest of the students and staff of OUSD as well as the taxpayers of Oakland for the Board to regain complete democratic control of the District;

WHEREAS, Education Code section 41320.1 states that the trustee “shall serve until the school district has adequate fiscal systems and controls in place, the [SPI] has determined that the school district’s future compliance with the fiscal plan approved for the school district . . . is probable, and the county superintendent of schools, the [State Superintendent of Public Instruction], and the president of the state board or his or her designee decide to terminate the trustee’s appointment;

WHEREAS, however, even “[a]fter the trustee’s period of service,” Alameda County Superintendent Castro may retain the ability to stay and rescind any action of the Board until the District’s loans are repaid;

WHEREAS, Education Code section 41320.1 also states, in relevant part, that there needs to be “an audit of its fiscal systems,” conducted by an auditor selected from a list established by the Superintendent and the Controller, before OUSD may fully repay its loans;

WHEREAS, on December 15, 2021, the Board approved Resolution No. 2021-0163B - Committing Sufficient Funds to Fully Repay State Loan, which “committed” \$21.5 million “from the Base Unrestricted General Fund and/or from the allowable use of any applicable one-time fund and/or one time transfer of expenditures for the exclusive purpose of repaying one or both of the I-

Bank and the State General Fund loans and/or making the debt service payments on the I-Bank and the State General Fund loans”;

WHEREAS, the I-Bank loan has been fully repaid, with the last payment being made in January 2023, and the last payment on the State General Fund loan is scheduled for June 2026; and

WHEREAS, the key outstanding task prior to regaining complete democratic control of the District is an audit of its fiscal systems.

NOW, THEREFORE, BE IT RESOLVED, the Board of Education hereby directs the Superintendent or designee to initiate the process for a fiscal system audit, which shall include (but need not be limited to) selecting an auditor (from the list established by the Superintendent and the Controller) and, no later than June 30, 2023, bringing forward a contract with an auditor for Board approval.

PASSED AND ADOPTED on _____, 2023, by the Governing Board of the Oakland Unified School District by the following vote:

PREFERENTIAL AYE:

PREFERENTIAL NOE:

PREFERENTIAL ABSTENTION:

PREFERENTIAL RECUSE:

AYES:

NOES:

ABSTAINED:

RECUSED:

ABSENT:

CERTIFICATION

We hereby certify that the foregoing is a full, true, and correct copy of a Resolution passed at a meeting of the Board of Education of the Oakland Unified School District held on December _____, 2023.

Legislative File	
File ID Number:	23-0557
Introduction Date:	3/8/2023
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OAKLAND UNIFIED SCHOOL DISTRICT

Mike Hutchinson
President, Board of Education

Kyla Johnston-Trammell
Superintendent and Secretary, Board of Education

Board Office Use: Legislative File Info.	
File ID Number	21-1543A
Introduction Date	12/2/2021
Enactment Number	21-1979
Enactment Date	12/15/2021 er



Board Cover Memorandum

To Board of Education

From Budget & Finance Committee
Aimee Eng, Board Member
Mike Hutchinson, Board Member
VanCedric Williams, Board Member

Meeting Date December 15, 2021

Subject Resolution No. 2021-0163B - Committing Sufficient Funds to Fully Repay State Loans

Ask of the Board Approval by the Board of Education of Resolution No. 2021-0163A - Committing Sufficient Funds to Fully Repay State Loans

Background In 2003, the State took over the District after the latter was not able to meet its financial obligations. As part of that takeover, the State authorized a \$100 million loan for the District and the Superintendent of Public Instruction (“SPI”) assumed all of the Board of Education’s rights, duties, and powers and appointed an administrator to run the District.

The administrator then borrowed all \$100 million from the State. A portion of the loan was subsequently refinanced by the sale of California Infrastructure Economic Development Bank bonds (“I-Bank loan”) that reduced, but did not eliminate, the State General Fund loan, leading to two loans. The last payment on the I-Bank loan is scheduled for January 2023 and the last payment on the State General Fund loan is scheduled for June 2026.

On June 28, 2009, the Board’s full rights, duties, and powers were reinstated, with the exception that a trustee was appointed with the ability to stay and rescind any action of the Board that, in the judgment of the trustee, may affect the financial condition of the District.

There are certain steps that must be met before the District can fully repay the loans and, even then, the stay/rescind authority is not necessarily automatically removed. Under State law, the District needs to hire an auditor to conduct an audit of its fiscal systems before OUSD may fully repay its loans. Additionally, the trustee serves until, among other things, OUSD has adequate fiscal systems and controls in place; and even after there is no more trustee, Alameda County Superintendent

L.K. Monroe retains the ability to stay and rescind any action of the Board until the District's loans are repaid.

On June 23, 2021, the Board adopted Resolution No. 2021-0163 - Preparing Plan to Fully Repay State Loans, which expressed the Board's intent to fully repay the I-Bank and the State General Fund loans by no later than January 2023. It also directed the Superintendent or designee to prepare and present to the Board a plan ("Repayment Plan") for consideration by the Board no later than December 2021 that would, among other things, allow the District to fully repay the I-Bank and the State General Fund loans by no later than January 2023. The Repayment Plan would need to include, among other things, a plan to set aside the necessary funds by June 2022 (in order to realize the ongoing savings in the 2022-23 budget).

Discussion

Upon internal discussions as well as external discussions with the Alameda County Office of Education, staff does not recommend attempting to immediately repay the I-Bank and the State General Fund loans. Staff is not confident that the District would pass the fiscal systems audit, which is required before the loans can be fully repaid. If the District were to press forward with an audit and not pass, it would be a significant and unnecessary setback.

Instead, the proposed Resolution would commit the necessary funds to make the remaining payments on the I-Bank and the State General Fund loans. (This "commitment" is a term of art that legally restricts the use of the funds for the articulated purpose or until the commitment is modified or removed by the Board. District staff cannot modify or change such a commitment.) The intent of the Resolution is to remove the ongoing expense of the loan payments from the District's budget starting in 2022-23.

This item was discussed at the December 2, 2021 Budget & Finance Committee meeting. At that meeting, staff noted that certain changes were needed, particularly an increase in the committed amount, language permitting more flexibility in regards to the ability to prepay one or both of the loans, and language responding to the possibility of certain investment requirements of the committed funds. Rather than amending the Resolution at the meeting, the Committee approved the proposed version "with the details to be worked out by staff." With this direction in mind, a revised version of the Resolution (numbered 2021-0163B) is being brought forward. A redlined copy showing the changes from Resolution No. 2021-1063A is also included.

Fiscal Impact

\$21,500,000 from one time funds from the Base Unrestricted General Fund and/or from the allowable use of any applicable one-time fund and/or one time transfer of expenditures. This is a one-time cost that will effectively remove the ongoing expense of the debt services payments for both the I-Bank loan and the State General Fund loan.

Attachment(s)

- Resolution No. 2021-0163B - Committing Sufficient Funds to Fully Repay State Loans

**RESOLUTION OF THE
BOARD OF EDUCATION OF THE
OAKLAND UNIFIED SCHOOL DISTRICT**

Resolution No. 2021-0163B

Committing Sufficient Funds to Fully Repay State Loans

WHEREAS, as a result of the District not being able to meet its financial obligations, the State authorized a \$100 million loan for the District and, consistent with state law at the time, the Superintendent of Public Instruction (“SPI”) assumed all of the Board of Education’s rights, duties, and powers and appointed an administrator to run the District;

WHEREAS, the State-appointed administrator borrowed all \$100 million from the State and a portion of the loan was subsequently refinanced by the sale of California Infrastructure Economic Development Bank bonds (“I-Bank loan”), leading to two outstanding loans for the District;

WHEREAS, the last payment on the I-Bank loan is scheduled for January 2023 and the last payment on the State General Fund loan is scheduled for June 2026;

WHEREAS, the Board’s full rights, duties, and powers were reinstated on June 28, 2009, with the exception that a trustee was appointed with the ability to stay and rescind any action of the Board that, in the judgment of the trustee, may affect the financial condition of District;

WHEREAS, Education Code section 41320.1 states that the trustee shall serve until, among other things, OUSD “has adequate fiscal systems and controls in place” and that even “[a]fter the trustee’s period of service” Alameda County Superintendent Monroe retains the ability to stay and rescind any action of the Board until the District’s loans are repaid;

WHEREAS, Education Code section 41320.1 also states, in relevant part, that there needs to be “an audit of its fiscal systems” before OUSD may fully repay its loans;

WHEREAS, paying off the loan debt at the earliest opportunity would help address the District’s long-term structural financial challenges and, more generally, would be an example of sound fiscal management and governance; and

WHEREAS, it is in the interest of the students and staff of OUSD as well as the taxpayers of Oakland for the Board to regain complete democratic control of the District.

NOW, THEREFORE, BE IT RESOLVED, the Board of Education hereby commits \$21.5 million from the Base Unrestricted General Fund and/or from the allowable use of any applicable one-time fund and/or one time transfer of expenditures for the exclusive purpose of prepaying one or both of the I-Bank and the State General Fund loans and/or making the debt service payments on the I-Bank and the State General Fund loans;

BE IT FURTHER RESOLVED, the Superintendent or designee shall first use these committed funds, before using another other funding source, to prepay one or both of the I-Bank and the State General Fund loans and/or to make debt service payments on the I-Bank and the State General Fund loans, and whether to use these committed funds to prepay and/or make debt service payments shall be at the Superintendent's discretion;

BE IT FURTHER RESOLVED, the funds so committed shall remain restricted to the purposes specified herein unless or until such time as the Board rescinds this Resolution, provided that once the I-Bank and the State General Fund loans are fully repaid, the restriction on any remaining committed funds shall terminate without the need for additional Board action and the Superintendent or designee shall transfer such funds to the unassigned ending fund balance as appropriate;

BE IT FURTHER RESOLVED, any committed funds shall be housed, invested, or otherwise located and accounted for in a manner consistent with all applicable legal requirements as determined by the Superintendent and she is empowered to house, invest, or otherwise locate and account for any committed funds in a manner consistent with all such legal requirements; and

BE IT FURTHER RESOLVED, the Superintendent or designee is authorized to take any accounting or financial actions to effectuate the intent of purpose of this Resolution.

PASSED AND ADOPTED on December 15, 2021, by the Governing Board of the Oakland Unified School District by the following vote:

PREFERENTIAL AYE: None

PREFERENTIAL NOE: None

PREFERENTIAL ABSTENTION: None

PREFERENTIAL RECUSE: None

AYES: Aimee Eng, VanCedric Williams, Gary Yee, Mike Hutchinson, Clifford Thompson, Vice President Benjamin "Sam" Davis

NOES: None

ABSTAINED: None

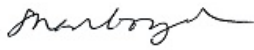
RECUSED: None


ABSENT: President Shanthi Gonzales

CERTIFICATION

We hereby certify that the foregoing is a full, true, and correct copy of a Resolution passed at a Regular Meeting of the Board of Education of the Oakland Unified School District held on December 15, 2021.

Legislative File	
File ID Number:	21-1543A
Introduction Date:	12/1/21
Enactment Number:	21-1979
Enactment Date:	12/15/2021 er

OAKLAND UNIFIED SCHOOL DISTRICT


Shanthi Gonzales
President, Board of Education


Kyla Johnston-Trammell
Superintendent and Secretary, Board of Education

**RESOLUTION OF THE
BOARD OF EDUCATION OF THE
OAKLAND UNIFIED SCHOOL DISTRICT**

Resolution No. 2021-0163B

Committing Sufficient Funds to Fully Repay State Loans

REDLINE COMPARED WITH RESOLUTION NO. 2021-0163A

WHEREAS, as a result of the District not being able to meet its financial obligations, the State authorized a \$100 million loan for the District and, consistent with state law at the time, the Superintendent of Public Instruction (“SPI”) assumed all of the Board of Education’s rights, duties, and powers and appointed an administrator to run the District;

WHEREAS, the State-appointed administrator borrowed all \$100 million from the State and a portion of the loan was subsequently refinanced by the sale of California Infrastructure Economic Development Bank bonds (“I-Bank loan”), leading to two outstanding loans for the District;

WHEREAS, the last payment on the I-Bank loan is scheduled for January 2023 and the last payment on the State General Fund loan is scheduled for June 2026;

WHEREAS, the Board’s full rights, duties, and powers were reinstated on June 28, 2009, with the exception that a trustee was appointed with the ability to stay and rescind any action of the Board that, in the judgment of the trustee, may affect the financial condition of District;

WHEREAS, Education Code section 41320.1 states that the trustee shall serve until, among other things, OUSD “has adequate fiscal systems and controls in place” and that even “[a]fter the trustee’s period of service” Alameda County Superintendent Monroe retains the ability to stay and rescind any action of the Board until the District’s loans are repaid;

WHEREAS, Education Code section 41320.1 also states, in relevant part, that there needs to be “an audit of its fiscal systems” before OUSD may fully repay its loans;

WHEREAS, paying off the loan debt at the earliest opportunity would help address the District’s long-term structural financial challenges and, more generally, would be an example of sound fiscal management and governance; and

WHEREAS, it is in the interest of the students and staff of OUSD as well as the taxpayers of Oakland for the Board to regain complete democratic control of the District.

NOW, THEREFORE, BE IT RESOLVED, the Board of Education hereby commits \$~~721~~.5 million from the Base Unrestricted General Fund and/or from the allowable use of any applicable one-time fund and/or one time transfer of expenditures for the exclusive purpose of prepaying one or both of the I-Bank and the State General Fund loans and/or making the debt service payments on the I-Bank and the State General Fund loans;

BE IT FURTHER RESOLVED, the Superintendent or designee shall first use these committed funds, before using another other funding source, to prepay one or both of the I-Bank and the State General Fund loans and/or to make ~~the~~ debt service payments on the I-Bank and the State General Fund loans, and whether to use these committed funds to prepay and/or make debt service payments shall be at the Superintendent's discretion before any other funding source is used;

BE IT FURTHER RESOLVED, the funds so committed shall remain restricted to the purposes specified herein unless or until such time as the Board rescinds this Resolution, provided that once the I-Bank and the State General Fund loans are fully repaid, the restriction on any remaining committed funds shall terminate without the need for additional Board action and the Superintendent or designee shall transfer such funds to the unassigned ending fund balance as appropriate; ~~and~~

BE IT FURTHER RESOLVED, any committed funds shall be housed, invested, or otherwise located and accounted for in a manner consistent with all applicable legal requirements as determined by the Superintendent and she is empowered to house, invest, or otherwise locate and account for any committed funds in a manner consistent with all such legal requirements; and

BE IT FURTHER RESOLVED, the Superintendent or designee is authorized to take any accounting or financial actions to effectuate the intent of purpose of this Resolution.



EDUCATION CODE - EDC

TITLE 2. ELEMENTARY AND SECONDARY EDUCATION [33000 - 65001] (*Title 2 enacted by Stats. 1976, Ch. 1010.*)

DIVISION 3. LOCAL ADMINISTRATION [35000 - 45500] (*Division 3 enacted by Stats. 1976, Ch. 1010.*)

PART 24. SCHOOL FINANCE [41000 - 43052] (*Part 24 enacted by Stats. 1976, Ch. 1010.*)

CHAPTER 3. State School Fund [41300 - 41455] (*Heading of Chapter 3 amended by Stats. 1979, Ch. 373.*)

ARTICLE 2. Emergency Apportionments [41320 - 41322] (*Article 2 enacted by Stats. 1976, Ch. 1010.*)

Acceptance by the school district of the apportionments made pursuant to Section 41320 constitutes the agreement by the school district to all of the following conditions:

41320.1.

(a) The county superintendent of schools, the Superintendent, and the president of the state board or his or her designee shall, by majority vote, appoint a trustee from a pool of candidates identified and vetted by the County Office Fiscal Crisis and Management Assistance Team pursuant to subdivision (b) who has recognized expertise in management and finance and may employ, on a short-term basis, staff necessary to assist the trustee, including, but not limited to, certified public accountants, as follows:

(1) The expenses incurred by the trustee and necessary staff shall be borne by the school district.

(2) The county superintendent of schools, with concurrence from both the Superintendent and the president of the state board or his or her designee, shall establish the terms and conditions of the employment, including the remuneration of the trustee. The trustee shall report directly to the county superintendent of schools. The county superintendent of schools shall provide regular updates to the Superintendent and the president of the state board or his or her designee regarding the work of the trustee.

(3) The trustee, and necessary staff, shall serve until the school district has adequate fiscal systems and controls in place, the Superintendent has determined that the school district's future compliance with the fiscal plan approved for the school district pursuant to Section 41320 is probable, and the county superintendent of schools, the Superintendent, and the president of the state board or his or her designee decide to terminate the trustee's appointment, but in no event for less than three years. The county superintendent of schools shall notify the Legislature, the Department of Finance, and the Controller no less than 60 days before the time that the county superintendent of schools expects these conditions to be met.

(4) Before the school district repays the loan, including interest, the recipient of the loan shall select an auditor from a list established by the Superintendent and the Controller to conduct an audit of its fiscal systems. If the fiscal systems are deemed to be inadequate, the county superintendent of schools, with concurrence from both the Superintendent and the president of the state board or his or her designee, may retain the trustee until the deficiencies are corrected. The cost of this audit and any additional cost of the trustee shall be borne by the school district.

(5) Notwithstanding any other law, all reports submitted to the trustee are public records.

(6) To facilitate the appointment of the trustee and the employment of necessary staff, this section is exempt from the requirements of Article 6 (commencing with Section 999) of Chapter 6 of Division 4 of the Military and Veterans Code and Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code.

(7) If the trustee appointed pursuant to this section is an employee of the department, the salary and benefits of that employee shall be established by the Superintendent and paid by the school district. During the time of appointment, the employee is an employee of the school district, but shall remain in the same retirement system under the same plan as if the employee had remained in the department. Upon the expiration or termination of the appointment, the employee shall have the right to return to his or her former position, or to a position at substantially the same level as that position, with the department. The time served in the appointment shall be counted for all purposes as if the employee had served that time in his or her former position with the department.

(b) The County Office Fiscal Crisis and Management Assistance Team, when selecting the pool of candidates for trustee, shall consider candidates' expertise in management and finance, previous experience mitigating fiscal distress in school districts, and ability to meaningfully engage with the community that the school district serves, and shall provide an opportunity for public input on the selection of the pool of candidates for trustee.

(c) (1) The trustee appointed pursuant to this section shall monitor and review the operation of the school district. During the period of his or her service, the trustee may stay or rescind an action of the governing board of the school district that, in the judgment of the trustee, may affect the financial condition of the school district.

(2) After the trustee's period of service, and until the loan is repaid, the county superintendent of schools that has jurisdiction over the school district may stay or rescind an action of the governing board of the school district that, in his or her judgment, may affect the financial condition of the school district. The county superintendent of schools shall notify the Superintendent and the president of the state board or his or her designee, within five business days, if he or she stays or rescinds an action of the governing board of the school district. The notice shall include, but not be limited to, both of the following:

(A) A description of the governing board of the school district's intended action and its financial implications.

(B) The rationale and findings that support the county superintendent of school's decision to stay or rescind the action of the governing board of the school district.

(3) If the county superintendent of schools notifies the Superintendent and the president of the state board or his or her designee pursuant to paragraph (2), the county superintendent of schools shall report to the Legislature, pursuant to Section 9795 of the Government Code, on or before December 30 of every year, whether the school district is complying with the fiscal plan approved for the school district.

(4) The county superintendent of schools, with concurrence from the Superintendent, may establish timelines and prescribe formats for reports and other materials to be used by the trustee to monitor and review the operations of the school district. The trustee shall approve or reject all reports and other materials required from the school district as a condition of receiving the apportionment. The Superintendent, upon the recommendation of the trustee, may reduce an apportionment to the school district in an amount up to two hundred dollars (\$200) per day for each late or unacceptable report or other material required under this part, and shall report to the Legislature a failure of the school district to comply with the requirements of this section. If the county superintendent of schools determines, at any time, that the fiscal plan approved for the school district under Section 41320 is unsatisfactory, he or she may modify the plan as necessary, with concurrence from the Superintendent, and the school district shall comply with the plan as modified.

(d) At the request of the county superintendent of schools, with approval from the Superintendent, the Controller shall transfer to the department, from an apportionment to which the school district would otherwise have been entitled pursuant to Section 42238.02, as implemented by Section 42238.03, the amount necessary to pay the expenses incurred by the trustee and associated costs incurred by the county superintendent of schools.

(e) For the fiscal year in which the apportionments are disbursed and every year thereafter, the Controller, or an auditor that is designated by the Controller as both active and able to perform K–12 local education agency audits, shall cause an audit to be conducted of the books and accounts of the school district, in lieu of the audit required by Section 41020. At the Controller’s discretion, the audit may be conducted by the Controller, his or her designee, an auditor that is designated by the Controller as both active and able to perform K–12 local education agency audits, or an auditor selected by the school district and approved by the Controller. The costs of these audits shall be borne by the school district. These audits shall be required until the Controller determines, in consultation with the county superintendent of schools and the Superintendent, that the school district is financially solvent, but in no event earlier than one year following the implementation of the plan or later than the time the apportionment made is repaid, including interest. The auditor selected pursuant to this subdivision, if any, the county superintendent of schools, a County Office Fiscal Crisis and Management Assistance Team representative, the Superintendent, and the school district superintendent, or their respective designees, shall meet before the audit to discuss the terms of the audit and the timeline under which it will proceed. In addition, the Controller shall conduct quality control reviews pursuant to subdivision (c) of Section 14504.2.

(f) For purposes of errors and omissions liability insurance policies, the trustee appointed pursuant to this section is an employee of the local educational agency to which he or she is assigned. For purposes of workers’ compensation benefits, the trustee is an employee of the local educational agency to which he or she is assigned, except that a trustee appointed pursuant to paragraph (7) of subdivision (a) is an employee of the department for those purposes.

(g) Except for an individual appointed by the vote pursuant to subdivision (a) as a trustee described in paragraph (7) of subdivision (a), the trustee appointed pursuant to this section is a member of the State Teachers’ Retirement System, if qualified, for the period of service as trustee, unless the trustee elects in writing not to become a member. A person who is a member or retirant of the State Teachers’ Retirement System at the time of appointment shall continue to be a member or retirant of the system for the duration of the appointment. If the trustee chooses to become a member or is already a member, the trustee shall be placed on the payroll of the school district for the purpose of providing appropriate contributions to the system. The Superintendent may also require that an individual appointed as a trustee described in paragraph (7) of subdivision (a) be placed on the payroll of the school district for purposes of remuneration, other benefits, and payroll deductions. For purposes of workers’ compensation benefits, the state-appointed trustee is deemed an employee of the local educational agency to which he or she is assigned, except that a trustee who is described in paragraph (7) of subdivision (a) is an employee of the department for those purposes.

(Amended by Stats. 2018, Ch. 426, Sec. 7. (AB 1840) Effective September 17, 2018.)