



Business Services Division Memo

To: Mike Hutchinson, Chair and Vice President of the Governing Board
Budget & Finance (B & F) Committee

From: Lisa Grant Dawson, Chief Business Officer

Subject: B & F Discussion OUSD Fiscal Sustainability Plan

Date: May 2, 2024

Chair Hutchinson and the Budget and Finance Committee,

The District presented a draft of the Fiscal Sustainability Plan on October 11, 2023 for first read with the intent of presenting the plan for final adoption in March 2024, after the 2024-25 budget adjustments plan was developed, presented, and approved. The District is preparing to present the Fiscal Sustainability plan at the May 8, 2024 Board meeting. The Fiscal Sustainability Plan covers the 2023-26 Fiscal years, with updates annually to reflect progress and modifications as applicable.

It is the desire of staff to present this update to the Budget and Finance Committee in advance of the agenda placement, with a request for the B & F Committee to support the recommendation for approval of the plan, absent any recommendations for modification. The District is attaching relevant documents to this package, which includes the September 29, FCMAT Letter summarizing their findings regarding the District's progress, overlapped in receipt with the District's Fiscal Sustainability Update in October.

Attachments:

- 23-2328 District Fiscal Sustainability Plan 2023-24
- 23-2308D 2024-25 Budget Balancing Options, Increases, Reductions, and Restructure - Attachment B
- FCMAT September 2023 AB 181 Letter Regarding the Progress of Oakland Unified School District

To: Kyla Johnson-Trammell, Superintendent
From: Lisa Grant Dawson, Chief Business Officer
Subject: Fiscal Sustainability Plan Priorities 2023-2026
Date: May 2, 2024

On October 11, 2024, the District presented agenda item 23-2328, Fiscal Sustainability Plan Update. The District cited a projected second read and adoption date of March 2024 and is pleased to present this item for recommendation for adoption at the Board's May 8, 2024 meeting. The draft of the Second Read with the noted recommendation for adoption, will also be reviewed at the May 2, 2024 Budget and Finance Meeting.

Updates to this report are noted in ***bold italicized font***.

Sustainability Plan

On February 24, 2021, the Board Adopted Resolution 2021-0040 - Adoption of the Fiscal Sustainability Plan. Within the body of the plan to reflect the intentional commitment to move from discussion to action, the plan included the following sections:

Moving from Priorities to Action

This Plan establishes the priorities on which the District will focus over the next three years (2021-2024). The specific actions the Superintendent (or designee) will direct her staff to undertake will be developed annually and will include the aforementioned recommendations on which progress has been made. More specifically, the Superintendent (or designee) will create a draft list of action each May (starting May 2021) for the subsequent fiscal year and will share that draft list with key stakeholders. The Superintendent (or designee) will then determine the final list by June, which will be shared with the Board and ACOE. In September of each year (starting September 2022), the Superintendent (or designee) will review the list of actions from the prior year and will provide a written report and analysis summarizing which actions were fully implemented, partially implemented, and not implemented. These dates correspond with the District's Budget (May) and UnAudited Actuals (September) timelines.

The District has revised and updated this list with the following List of Actions for implementation in the 2024-25 and 2025-26 Fiscal Years.

The District has provided numerous areas of evidence of progress from Audits to Bargaining, Cash Flow to Enrollment Projections, and Project Management in Facilities to Budget Development. The developing implementation plans are norming and revised timelines for efficient and effective implementation of statutory and requested tasks based on District and Board initiatives are occurring. Time has also allowed the District,

absent a recent Board Resolution to pay the District Loan off with one-time resources, to pay its final state loan payment for the 2003 Loan and to be within three years of repaying the final state loan payment.

The District State Loan

Loan Issuance	Date of Issuance	Loan Amount	Annual Loan Payment	Loan Maturity Date	Status
I Bank	6/2/2003	\$65,000,000	\$3,800,000	August 2023	Payment Complete! Procedures to terminate site lease agreement has begun.
State General Fund	6/28/2006	\$35,000,000	\$2,100,000	June 2026	3 Years Remaining

Though summarily impactful and moving the District in the right direction, the District has reached a place where multi-year projections have indicated that we will be. One, District one-time resources are sunsetting. Two, District philanthropic giving has reached new lows, and though we are seeing signs of stabilized enrollment, attendance has reached an unprecedented level and our base revenue projections for 2024-25 are lower than 2023-24.

On Monday, October 2, 2023, the Governing Board hosted the first of four Special Board Meetings designed to share and provide interactive Board, Staff, and Community information and engagement sessions on our current and future budget and operational state. The District’s list of 2023-24 Board Priorities and other lists of investment strategies were also reviewed with additional operational and financial information showcasing to the Oakland Community that our backpacks are overfilled and that we are unable to carry all of the investments and initiatives we have historically maintained. The District Superintendent has also been very clear of the importance of investing in compensation for all employees, which includes affording year over year, the recent OEA agreement. The evidence of these progress points was also raised as a requirement by the Alameda County Office of Education, in conjunction with District staff, which led to a required proof of the District’s planned concept for the 2023-24 and 2024-25 budget years.

Excerpt from OEA AB1200 Approval Letter

“In order for ACOE to verify that Board and District staff are implementing the budget adjustments the Board approved within the Public Disclosure documents, OUSD will:

- *Provide ACOE with a Board-approved detailed update on its **list of Budget Adjustments by October 31, 2023;***
- *Share additional updates in ACOE’s bi-weekly call to monitor the staff and Board’s progress with strategic planning;*
- *Present a public update to be provided by First Interim, with further public disclosure and **formal Board Action required no later than February 2024,** to ensure the District meets its obligations in the subsequent fiscal year.”*

Excerpt from OUSD 2023-24 Second Interim

On February 28, 2024, the Board approved Resolution 2324-0137, 2024-25 Budget Balancing Options, Increases, Reductions - Attachment B and 2025-26 Restructure Recommendation as presented on Agenda Item 23-2308D. Prior to this approval, the District engaged with the Board during the following opportunities after the initial presentation on October 11, 2023, via Board Agenda 23-2308, with updates on December 14, 2023, January 31, 2024, and February 14, 2024. This includes Budget Study Sessions in October 2023, January 2024, and Board 2 x 2’s and Budget Town Hall Sessions in February 2024.

The Budget Options, which ultimately was a continuation of the 2023-24 Budget Options labeled as Attachment A, is summarized as follows: Of the 12 Budget Balancing Solutions, Item 1 and 2 totaling \$3M were already approved on Resolution 2223-0040, Proposed Adjustments for 2023-24 Budget, but is noted for record purposes. Approval of staff to continue analyzing the remaining options for 2025-26 Budget Balancing Solutions, which are primarily centered on strategies to restructure the District and its operations. This item will return to the Board of Education on February 28, 2024 for Second Read and recommended adoption. The list of options with a dollar value that is eligible for implementation of \$16.5M of reductions and reductions, of which \$3M was approved in 2022-23, is summarized below.

Summary of 2024-25 Budget Adjustments and Impact

Projected Deficit (2024-25 as of 1st Interim)	\$ 23,687,150
Net Adjustments since projection	\$ 27,000,000
Adjusted Deficit Projection (Target)	\$ 50,687,150
Savings / Cost Avoidance	\$ (16,528,228)
Projected Additional Costs	\$ 500,000
Adjusted Projected Surplus or Deficit	\$ 34,658,922

Adjustments (savings, cost avoidance, revenue shifts)	Item Number	Included	Type	General Purpose	Central Supplemental	Central Concentration	Special Education Contribution Funds	Other Supplemental	One-time Funds Support	Net Change*
Adjust School Site Allocations (Unrestricted)	1	<input checked="" type="checkbox"/>	Savings	\$ (457,578)						\$ (457,578)
Adjust School Site Allocations (Supplemental)	2	<input checked="" type="checkbox"/>		-	-			\$ (2,583,685)		\$ (2,583,685)
Merger of District Schools	3	<input checked="" type="checkbox"/>								\$ -
BP 3150 Adjustment	4	<input checked="" type="checkbox"/>								\$ -
Central - Continuous School Improvement Redesign	5	<input checked="" type="checkbox"/>								\$ -
Central - Legal Department Restructuring	6	<input checked="" type="checkbox"/>								\$ -
Central - Business, Talent, Technology, Other Redesign	7	<input checked="" type="checkbox"/>								\$ -
Adjusted Support toward previous Board Resolutions	8	<input checked="" type="checkbox"/>								\$ -
Special Ed Programs	9	<input checked="" type="checkbox"/>								\$ -
Maintaining Small School Investments	10	<input checked="" type="checkbox"/>								\$ -
Responses to January 8, 2024 Study Session	11	<input checked="" type="checkbox"/>			\$ (8,000,000)	\$ (3,700,000)			\$ -	\$ (11,700,000)
Reduction of consistently vacant positions	12	<input checked="" type="checkbox"/>		\$ (576,510)	\$ (384,390)	\$ (314,460)	\$ (372,144)	\$ -	\$ -	\$ (1,647,504)
Total										\$ (16,388,767)

There is an additional \$.5M investment for two years, totaling \$1M, to extend support to BP 5115, Enrollment Stabilization, as the one time investment of \$4.5M dollars is sunsetting in June 2024.

Projected Additional Costs	Item Number	Included	Type	General Purpose	Central Supplemental	Central Concentration	Special Education Contribution Funds	Other Supplemental	One-time Funds Support	Net Change*
Ongoing Enrollment Office Investments	1	<input checked="" type="checkbox"/>							\$ 500,000	\$ 500,000
Return of Investments currently funded with one-time funds	2	<input checked="" type="checkbox"/>								\$ -
Review Facilities and Deferred Maintenance Modifications	3	<input checked="" type="checkbox"/>								\$ -
Total									\$ 500,000	\$ 500,000

The remaining options remain strong recommendations for 2025-26 restructuring of the District's operational profile, to include a new document that has been added to begin summarizing the various strategies that District staff is recommending be included in the Board's Budget Balancing Solution resolution for the 2024-25 Budget, with necessary options for implementation in 2025-26. The District staff is again strongly stressing that

we do not have any significant reductions and cuts to offer absent a reduction of the District’s operational size and intense focus on efficiency in the number of locations and programs we operate.

The District stands in deep concern that the shortfall in adjustments will yield a projected \$7M investment from the Fund Balance to balance the budget. This amount is calculated from the \$23.6M deficit as of First Interim in the Unrestricted General Fund - \$16.5M in recommended adjustments/reductions from Attachment B, leaving a \$7M shortfall. This amount does not include additional dollars needed for the investments and resources required to maintain our current commitments and stability.

The District has implemented the majority of the Budget Options in its Multi-Year Projections as of Second Interim.

Multi-Year Projections (MYP) - Unrestricted Summary - FORM MYPI

2023-24 Second Interim MYP Fund Balance Summary - Unrestricted

	2023-24 Unrestricted	2024-25 Unrestricted	2025-26 Unrestricted
A. Revenues			
5) Total Revenues	\$ 510,928,572	\$ 499,327,230	\$ 503,265,036
B. Expenditures			
9) Total Expenditures	\$ 433,035,773	\$ 395,125,089	\$ 393,287,045
C. Excess (Deficiency) of Revenues Over Expenditures			
	\$ 77,892,800	\$ 104,202,141	\$ 109,977,991
D. Other Financing Sources/Uses			
4) Total, Other Financing Sources/Uses	\$ (113,275,499)	\$ (114,743,668)	\$ (118,766,057)
E. Net Increase (Decrease) in Fund Balance (C +D4)	\$ (35,382,700)	\$ (10,541,527)	\$ (8,788,066)
F. Fund Balance, Reserves			
1) Beginning Fund Balance			
a) Adjusted Beginning Balance (F1c + F1d)	\$ 118,353,704	\$ 82,971,005	\$ 72,429,478
2) Ending Balance, June 30 (E + F1e)	\$ 82,971,005	\$ 72,429,478	\$ 63,641,412
Restricted Reserve	\$ 150,000	\$ 150,000	\$ 150,000
Other Assignments	\$ 10,287,745	\$ 10,287,745	\$ 10,287,745
Reserve for Economic Uncertainty	\$ 28,322,898	\$ 24,405,931	\$ 24,469,988
Unassigned Unappropriated	\$ 44,210,362	\$ 37,585,802	\$ 28,733,679

Multi-Year Projections (MYP) - Restricted Summary - FORM MYPI

2023-24 Second Interim MYP Fund Balance Summary - Restricted

	2023-24 Restricted	2024-25 Restricted	2025-26 Restricted
A. Revenues			
5) Total Revenues	\$ 381,969,374	\$ 312,985,095	\$ 316,994,052
B. Expenditures			
9) Total Expenditures	\$ 514,060,819	\$ 415,405,938	\$ 419,379,234
C. Excess (Deficiency) of Revenues Over	\$ (132,091,444)	\$ (102,420,843)	\$ (102,385,182)
D. Other Financing Sources/Uses			
4) Total, Other Financing Sources/Uses	\$ 110,275,499	\$ 111,743,668	\$ 115,766,057
E. Net Increase (Decrease) in Fund Balance (C + D4)	\$ (21,815,945)	\$ 9,322,825	\$ 13,380,875
F. Fund Balance, Reserves			
1) Beginning Fund Balance			
a) Adjusted Beginning Balance (F1c + F1d)	\$ 164,800,594	\$ 142,984,649	\$ 152,307,475
2) Ending Balance, June 30 (E + F1e)	\$ 142,984,649	\$ 152,307,475	\$ 165,688,350

Multi-Year Projections (MYP) - Combined Summary - FORM MYPI

2023-24 Second Interim MYP Fund Balance Summary - Combined

	2023-24 Combined	2024-25 Combined	2025-26 Combined
A. Revenues			
5) Total Revenues	\$ 892,897,947	\$ 812,312,325	\$ 820,259,089
B. Expenditures			
9) Total Expenditures	\$ 947,096,591	\$ 810,531,027	\$ 812,666,279
C. Excess (Deficiency) of Revenues Over	\$ (54,198,645)	\$ 1,781,298	\$ 7,592,809
D. Other Financing Sources/Uses			
4) Total, Other Financing Sources/Uses	\$ (3,000,000)	\$ (3,000,000)	\$ (3,000,000)
E. Net Increase (Decrease) in Fund Balance (C + D4)	\$ (57,198,645)	\$ (1,218,702)	\$ 4,592,809
F. Fund Balance, Reserves			
1) Beginning Fund Balance			
a) Adjusted Beginning Balance (F1c + F1d)	\$ 283,154,299	\$ 225,955,654	\$ 224,736,952
2) Ending Balance, June 30 (E + F1e)	\$ 225,955,654	\$ 224,736,952	\$ 229,329,762

What Actions Can We Report On and Update?

The original Sustainability plan stated that the District would report on the prior year's actions in September of each year. The District included a plan for reductions that took a significant step in developing a multi-year strategic plan of action and having the Board vote for these initiatives in advance of the new year.

Part I. Implementation Status of the Fiscal Vitality Plan

Over the past four years, the District has addressed and implemented 16 of the 22 recommendations in the FVP. At the same time, some of the recommendations are no longer relevant, as they were developed in 2018-19, remain in progress, or have not been completed. Below is the latest implementation status of each of the 22 FVP recommendations and the District’s recommendation for implementation status. The District has several lists of tasks to complete in its Fiscal Sustainability Plan and believes that addressing this list and eliminating those items the District feels are complete and/or are under control. This will allow the District to have a more focused approach and not constantly manage additional task lists and updates that can deter from focusing on more impactful projects and strategies.

Summary

The following table summarizes the status and next steps for each recommendation in the Fiscal Vitality Plan. Each item links to more details within this document regarding our efforts to date and any next steps, as applicable. For some items, the details link to more information outside the scope of this document. The District’s assessment of its status remains unchanged since the October 2023 update.

Item	Description	Status	Next Steps
1.1	Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty	Complete	Continued monitoring
1.2	Institute adjustments to existing Central Office positions	Complete	Continued monitoring
1.3	Maximize the use of restricted revenue resources	Partially Complete	Continued monitoring
1.4	Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings	Complete	Continued monitoring
1.5	Pursue capture of donated days and/or furlough	Complete	N/A
1.6	Adjust school per pupil allocations to capture savings	Complete	Continued monitoring
1.7	Institute closer monitoring of contributions to other programs, e.g. special education, nutrition, early childhood	Complete	Continued monitoring

<u>1.8</u>	Update and implement budget forecast and projection practices	Complete	Continued monitoring
<u>1.9</u>	Review and update cash flow monitoring practices	Complete	Continued monitoring
<u>1.10</u>	Institute immediate protocols to limit and review spending among Central Office and school sites	Complete	Continued monitoring
<u>2.1</u>	Plan for and adopt a balanced budget that avoids future deficit spending	Complete	Continued monitoring
<u>2.2</u>	Establish and conduct zero-based budgeting sessions with all Central Office practices	Complete	Continued monitoring
<u>2.3</u>	Research, engage and implement a Central Office reorganization	Partially Complete	Continued monitoring
<u>2.4</u>	Institute and conduct monthly central office and school site budget monitoring practices	Partially Complete	Continued monitoring
<u>2.5</u>	Review, update and implement effective position control practices	Partially Complete	Continued monitoring
<u>2.6</u>	Develop a process for pre-approval of extra time employee payments	Complete	Continued monitoring
<u>2.7</u>	Review and implement revised contract approval, processing and management procedures	Partially Complete	Continued monitoring
<u>2.8</u>	Complete transition to Escape technology system to manage finance and human resource (HR) information	Complete	Continued monitoring
<u>2.9</u>	Review and execute on shifts in expenses that maximize the use of restricted funds	Complete	Continued monitoring
<u>3.1</u>	Review and engage school district and school leaders to re-establish appropriate budget roles and responsibility	Partially Complete	Continued monitoring
<u>3.2</u>	Establish systems for the management and oversight of bargaining agreements	Complete	N/A
<u>3.3</u>	Consider and act on recommendations from the Blueprint for Quality Schools review	Complete	N/A

Part 2. Recommendations for the Fiscal Sustainability Plan

The District's strategies to address not only the quality of schools, number of schools, equity of programs, allocations or resources, have evolved, been modified, and some halted and recently rescinded since the development of the vitality plan.

Currently, it is recommended that the Fiscal Sustainability Plan for 2023-24 through 2025-26 focus on the planned outcomes of the following 10 areas. These areas of focus have been updated and aligned to the District's 2024-25 Budget Adjustments and Restructure Recommendations for 2024-25. Updates since the October 2023 draft are provided in BOLD print.

1. OUSD School Redesign Plan as it relates to how many schools and campuses the District operates and therefore must allocate to maintain.
 - a. The District's adopted Budget Adjustments and Restructure Recommendations for 2024-25, as noted above, include moving forward with the AB1912 process.**
2. Enrollment stabilization report and Outcomes as it relates to how many students the District will host in future years. The 2023-24 enrollment outcomes are most critical to plan for as it will establish our new foundation post pandemic. The District also invested \$1.5M additional resources for three years that will expire in 2023-24.
 - a. The District's adopted Budget Adjustments and Restructure Recommendations for 2024-25 as noted above, include funding \$1M, \$500K for the 2024-25 and 2025-26 years. The District is not projecting significantly higher enrollment, but has realized stability which has been helped with the growth of TK.**
3. Completion of the remaining 6 areas of the Fiscal Vitality Plan.
4. Continued focus on the District's Financial Audit and the goal of the audit being "free of material weaknesses and that includes an unqualified opinion. Furthermore, the audit shall be free from any material internal control findings." [2023-23 Trailer Bill Language]
 - a. The District continues to see improvements in its Audit outcomes for all of its audit engagements, but specifically, has seen a reduction of findings for the 2022-23 fiscal year, with seven findings and the majority are program attendance and reporting compliance focused, rather than direct fiscal/operational deficits. The District has already cleared one finding and expects an additional four findings to be eliminated in the ensuing year. The corrective action plans and diligence by various teams to teach, learn, lead, communicate, and change our practices is the root of our success.**
5. Implementation and adjustment of One Time Shifts in 2023-24 from the Districts Budget Reduction Plan, to ensure sustainability of resources captured to afford ongoing salary increases. This includes planned re-organizations of post reductions in various departments and ongoing tasks and responsibilities required for revised District operations are maintained or amended.
 - a. The District's adopted Budget Adjustments and Restructure Recommendations for 2024-25, as**

noted above, includes restructure of various divisions and operational practices to create high levels of efficiency and cost avoidance in some areas to redirect funding in other areas. As noted on the Restructure Recommendations, this includes:

- i. Restructuring of Staff Formula to Schools*
 - ii. Restructuring of Continuous School Improvement (CSI) Division*
 - iii. Restructuring of Business/Operations to Centralize Services and Asset Management*
 - iv. Restructuring of School Site Allocations to Centralize Key School Investments and Revising Accompanying Board Policies to Move from Results-Based Budgeting to a More Centralized Approach with Clear Criteria for Earned Autonomies*
6. Re-imagining how the District will maintain its obligations to Deferred Maintenance and other capital asset investments that are not funded by Bond resources.
- a. The District's adopted Budget Adjustments and Restructure Recommendations for 2024-25, as noted above include, Projected Additional Costs 3, Review Facilities and Deferred Maintenance Modifications.*
7. Initiate and complete the Fiscal Systems Audit To allow the District to shift into a new space of opportunity in planned transition from Fiscal Oversight and long term debt by 2025-26.
- a. The District will request a Fiscal Systems Audit approval from the Alameda County Office of Education. The District recently clarified the process steps with the Fiscal Crisis Management and Assistant Team (FCMAT) and is confident in what next steps are for the District . It is the District's intent to recommend that the scope of the audit seek no additional financial audit work be conducted or requires staff to provide, but rather references and utilizes the data from the 2022-23 audit which is already housed in accessible folders as requested by our auditor, Eide Baily. The District has a copy of the Systems Audit performed for Vallejo City Unified in 2023 and the West Contra Costa Unified audit from 2011 that we are using as a guide to create an efficient and thorough audit, with consideration of the other audits and activities the District is focused on in its active efforts to improve its operational practices and ensure sustainability. The projected timing of the audit (2024-25) completion is expected to be completed no later than one year of the final loan payment in June 2026.*
8. Continue revising a strong implementation plan in the Finance and Operations Divisions specifically, to ensure growth and strong leadership as transitions occur, and the ability to support ongoing financial and operational goals to mitigate reverting back to fiscal receivership.
9. Develop a multi-year plan of action of how to reduce its operational size and investments and make District adjustments to be ahead of what is a growing curve of reductions of Average Daily Attendance. This includes an analysis of the growth in Special Education and the impact to the Budget.
- a. The District's adopted Budget Adjustments and Restructure Recommendations for 2024-25, as noted above, includes as referenced on Attachment B, Items 9 - Special Ed Programs (which is scoped to unpack and understand our programs and the growth that has occurred over the last 8 years to support future program decisions), Item 10 - Maintaining Small School Investments, and Item 11 0 Responses to positions during the study session, which as part of the budget adjustments, are being compensated from Resource 0006 carryover, instead of ongoing resources. These investments will decline as carryover funding subsides.*
10. Invest in compensation for its employees - All employees within one year of the OEA agreement versus

three years as experienced within the last CBA cycles.

- a. The District since the OEA agreement has settled with its Building Construction and Trades Council (BCTC) and continues to progress forward with its negotiations with other units.***

Details by Recommendation

1. Stability - Actions initially intended for implementation in the short-term to stabilize the District's then current financial situation and plan for the future.

Item	Status	Next Steps
1.1. Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty	Complete	Continued monitoring
<p>Efforts to date</p> <p>The District has met the minimum 2% and an additional 1% Reserve, equalling a 3% since 2018-19.</p> <p>The District has met its 3% reserve requirements as required by the California Code of Regulations 5 15450. The District is also confirming that no additional language or policy references an additional reserve beyond the minimum at this time, though we have been operating under that premise. In reviewing the BP changes per Agenda Item 12-2392, which set the reserve to 3% and was amended back to the CCR minimum requirement in May 2019 per BP 19-0492.</p> <p>Next Steps</p> <p>Continued monitoring</p>		

1.2. Institute adjustments to existing Central Office positions	Complete	Continued monitoring
<p>Efforts to date</p> <p>The District has eliminated certain Central Office positions each year since 2017-18. In 2017-18, there were approximately 1,000 FTE in the Central Office; currently, there are 916 FTE in the Central Office. This excludes recent investments in positions that are funded centrally such as counselors and literacy tutors.</p> <p>The District has reduced central office positions annually in what essentially have been staffing reductions for central office positions such that total central office (and "district-wide") positions existed as follows:</p> <p>2015-16: 2,002 2016-17: 1,584 2017-18: 1,390 2018-19: 1,331 2019-20: 1,230 2020-21: 1,183 2021-22: 1,418 2022-23: 1,463</p>		

Of the positions in 2022-23, 728.37 FTE are funded by the Unrestricted and 735.24 by Restricted Resources. 93 FTE are funded by COVID related resources which will sunset in 2024, though the District is allowed to spend down the COVID resources in 2024.

Next Steps

In 2021-22, The District completed the Business Services, Technology, and Talent Departments in December 2021 as conducted by School Services of California and presented at the Governing Board's regular meeting on December 15, 2021, agenda item number [21-3064](#). The District will formally update and respond to the recommendations from this report as part of the 2024-25 Budget Development List of Reductions and Additions for Budget Balancing Solutions.

The District also issued RFP 22-127CSI DISTRICT REDESIGN FOR OAKLAND UNIFIED SCHOOL DISTRICT, CONTINUOUS SCHOOL IMPROVEMENT DIVISION. Continuous School Improvement (CSI) is the District's Division Header for what may be standardly used as Education Services. The District selected Public Works to conduct the analysis. A presentation of the findings was provided at the Governing Board Meeting on August 23, 2023, agenda item number [23-1232](#). It is currently projected that staff will provide the Board with recommendations in December 2023 as a result of the findings.

Solicitations to analyze the Facilities and Legal Services departments in 2021-22 and 2022-23 did not yield responses from external entities; thus, the District will analyze these departments internally, as is a common standard. The analysis of the reorganization of both departments is in progress.

1.3. Maximize the use of restricted revenue resources

Partially
Complete

Continued
monitoring

Efforts to date

The District has significantly improved how it uses and budgets restricted revenues. In 2017-18, the ending balance for restricted funds was \$38.6 million; in 2019-20, the unaudited actuals found that the ending balance for restricted funds was \$34.5 million, and in 2021-22, \$67.5M. It should be noted that \$20M is one-time COVID Response resource eligible to maintain a fund balance. *Need to review 9000 to make distinctions.*

[Learn More](#)

Next Steps

2022-23 - Show FTE U/UR

What was that of the balance of the total

1.4. Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings

Complete

Continued monitoring

Efforts to date

The District has analyzed Central Office-based contracts and books/supplies for possible freeze and capture of savings. As noted in previous reports, the budgets for Central Office-based contracts and books/supplies were \$26.9 million and \$5.5 million, respectively; in 2020-21, the adopted budgets for the same categories are \$15.4 million and \$6.2 million, respectively.

The District considers the expenditures in these areas under control, though not specifically aligned due to the manner in which reductions were made and maintained over time. The District is in the process of recalibrating such expenditures accordingly through minimal spending.

See Also

[Contractor Expenditure Analysis](#)

[Books & Supplies Expenditure Analysis](#)

Next Steps

2022-23 - Show FTE U/UR

What was that of the balance of the total

1.5. Pursue capture of donated days and/or furlough

Complete

N/A

Efforts to date

The District asked for voluntary furloughs by senior leadership in 2017-18 as part of mid-year reductions and discussed the same with its collective bargaining units. The former was implemented; there ended up not being a financial need for the latter. The urgent need for exploring this possibility dissipated soon after adoption of the FVP.

Next Steps

N/A - Should be removed from the Fiscal Vitality List as it was a one time action and not recommended nor viable as an ongoing strategy.

1.6. Adjust school per pupil allocations to capture savings

Complete

Continued monitoring

Efforts to date

The District has reduced and/or adjusted school per pupil allocations on at least two occasions (i.e., as part

1.6. Adjust school per pupil allocations to capture savings**Complete****Continued monitoring**

of budget reductions for the 2019-20 and the 2020-21 fiscal years \$65 in Supplemental for \$1.8M). These changes have included across-the-board reductions as well as adjustments to the pupil pupil allocations based on grade level rates (as opposed to school type) and adjustments to enrollment practices to create more sustainable cohorts and fewer combination classes.

Next Steps

This recommendation appears to be listed as an option for the District to consider with no metric nor standards included in the initial recommendation. The District has applied such strategies within and outside of the vitality plan options and may explore as necessary in the future, but sees no reason this item is a recurring item.

1.7. Institute closer monitoring of contributions to other programs, e.g., special education, nutrition, and early childhood**Complete****Continued monitoring****Efforts to date**

The District has not made a contribution to Fund 12 nor Fund 13 since the 2019-20 school year and is not forecasted to do so in light of additional revenue, participation, and enrollment and expansion of programs with funding.

Add Summary of history.

Next Steps

The District will continue to monitor.

1.8. Update and implement budget forecast and projection practices**Complete****Continued monitoring****Efforts to date**

The District has modified its budget development calendar and budget forecast practices by migrating firstly from a single year to a multi-year format. Multi-year assumptions are provided and updated with every budget and interim reports with a focus to more accurately project and report how the District will end each projected period and the impact in the multi-year based on projected changes in revenue and expenditures.

The District has been successful in this migration in not only the Board and community understanding and

1.8. Update and implement budget forecast and projection practices

Complete

Continued monitoring

expecting that sustainability relies on three years of solvency, but also the planning and development practices with sites, programs, and departments includes a multi-year concept to ensure that investments made are reviewed and modified with discretion as costs change and revenue is adjusted.

Next Steps

The District will continue to monitor.

1.9. Review and update cash flow monitoring practices

Complete

Continued monitoring

Efforts to date

The District has significantly improved its cash flow monitoring practices. This was a key area of improvement as a result of the training provided by the District's financial consultants. The District is making significant strides in developing its cash flow model to better analyze and model its projections. The District is also keen on discerning the reasons for the annual \$30 million Fall Borrowing from the ACOE (not initiated in the Fall of 2020) and mitigating such practices, the impact of the current LCFF cash flow deficits for 2020-21, and the impact of the various restricted grants and programs and their impact to the districts cash flow.

Cash Flow ending balances have been as follows and has not been an extreme area of critical concern from ACOE Or FCMAT oversight communication.

2016-17

2017-18

2018-19

2019-20 - \$51M

2020-21 - \$104M

2021-22 - \$133M

2022-23 - Projected as of Second Interim - \$196M

Cash Flow is a standard metric and concern for all District's and OUSD is eligible to be aligned in evaluation as are other Districts accordingly.

Next Steps

The District has instituted a fluid Cash Flow projection model and tool and is in progress of cross training District financial management staff on how to complete and monitor the cash flow analysis as this work was done by the CBO and Controller.

1.10. Institute immediate protocols to limit and review spending among Central Office and school sites

Complete

Continued monitoring

Efforts to date

The District implemented protocols to limit and review spending among Central Office and school sites and continues to monitor the same.

Next Steps

Budget Handbook

Purchasing & Requisition process

Staffing and Positional Control

2. Recovery - Actions initially intended for short-to-medium term implementation to help the District recover from its then current financial position.

2.1. Plan for and adopt a balanced budget that avoids future deficit spending	Complete	Continued monitoring
<p>Efforts to date</p> <p>The District has made substantial progress in planning for and adopting a balanced budget that avoids deficit spending. In March 2020, the Board approved more than \$20 million in ongoing reductions. The District is projected to report a positive certification for the 2022-23 First Interim and is projected to be positive for the two out years.</p> <p>Next Steps</p> <p>Significant Progress Made and Controls instituted: LGD to finish update.</p> <p>Historical Deficit in GF</p> <p>Continue to Manage</p> <p>However, more work in this area is needed given the bargained (and needed) increases in compensation and the resultant annual increases in salary and benefits, fragility of state revenue projections as a result of COVID-19, and future projected increases in expenditures and necessary reductions to offset the flat projected revenues year over year.</p>		

2.2. Establish and conduct zero-based budgeting sessions with all Central Office practices	Complete	Continued monitoring
<p>Efforts to date</p> <p>All Central Office budgets for 2018-21 were developed through a modified zero-based process. The District was unable to host the meetings as prescribed in 2020-21 for all sites and departments, but did enhance and develop a budget meeting format whether in person or online using shared budget development tools/resources.</p> <p>This process for 2021-22 and 2022-23 has been completed.</p> <p>Next Steps</p> <p>Departments have had budget meetings for two years and we have begun year three as the 2023-24 budget development has already begun.</p> <p>As the 2023-24 Budget is being developed, consistent practices, to include budget planning meetings with ALL sites and departments occurring earlier, with room for development and engagement is on its third year of implementation.</p>		

2.2. Establish and conduct zero-based budgeting sessions with all Central Office practices

Complete

Continued monitoring

Enrollment projections are set to be completed by November, Central Department Budget Staffing meeting was launched in November, and Draft Budget One Pagers for school Sites will be completed prior to the December winter break, with school site Budget meetings occurring in January.

This provides more strategized time to plan, review, and adjust the budget for all funds and resources and meet expectations for preliminary budget and LCAP alignment annually in June. Historically, the District began budget development in January.

2.3. Research, engage and implement a Central Office reorganization

Partially Complete

Continued monitoring

Efforts to date

The District has completed its contract and received its final staffing report from [School Services of California](#) to review and analyze the Business Services, Human Resources, and Technology Department. Though there have been adjustments to these departments since 2017-18, this analysis has provided the District with additional information to support future reorganizations. Many of the recommendations have not been able to be designed nor implemented, primarily due to the continued adjustments to meet needs for budget reduction. The District plans to continue to address the recommendations, but remains committed to level set and address the staffing elements noted in the report.

Next Steps

Item 1.2 and 2.3 Coincide and have been done, but next steps on the Central Reorg evaluation for Ed Services, Legal Services, and Facilities is on deck for the 2022-23 Fiscal year.

In 2021-22, The District completed the Business Services, Technology, and Talent Departments in December 2021. In October 2022, the District issued [RFP 22-127CSI DISTRICT REDESIGN FOR OAKLAND UNIFIED SCHOOL DISTRICT, CONTINUOUS SCHOOL IMPROVEMENT DIVISION](#). Continuous School Improvement (CSI) is the District's Division Header for what may be standardly used as Education or Academic Services. The contract for this analysis was awarded to [Public Works, LLC](#) and is scheduled to be completed by June 2023.

Requests for information to analyze our Facilities and Legal Services as departments have not yielded responses from the entities contacted as of December 2022; thus, the District will analyze these departments internally in comparison to other Districts with partnership between the Talent Division and Business Services.

2.3. Research, engage and implement a Central Office reorganization

Partially Complete

Continued monitoring

This provides more strategized time to plan, review, and adjust the budget for all funds and resources and meet expectations for preliminary budget and LCAP alignment annually in June. Historically, the District began budget development in January.

2.4. Institute and conduct monthly central office and school site budget monitoring practices

Partially Complete

Continued monitoring

Efforts to date

The District has hired a new Chief Business Officer (April 2020) and Director of Budget & Finance (Jan 2021) who have adopted the reorganization plan for the Budget & Finance department as recommended and approved by the Board in March 2020 and begun the process of the teaching staff how to manage and analyze the budget and actual activities of sites and department budgets monthly to include reconciling resources and funds as assigned.

The addition of the alignment of the Business Partners to their assigned departments, resources, and sites, in addition to the more recent addition of the Chief Financial Officer, has made and will make the monthly budget and actual monitoring even more streamlined and efficient. The District has implemented Interim review practices and reconciliation standards to support firm projections and consistent outcomes, with less swings between reporting periods and accuracy in reporting.

MERGE

Next Steps

There are monthly and quarterly procedures in place to support budget monitoring processes for all sites and also resources and programs.

Recommend Metric and language for expectations.

2.5. Review, update and implement effective position control practices

Partially Complete

Continued monitoring

Efforts to date

The District has developed a final Position Control Handbook and is in the first phases of implementing its Standard Operating Procedure for position control with support from the ACOE and as part of the ISTA work

2.5. Review, update and implement effective position control practices

Partially Complete

Continued monitoring

and progress.

Next Steps

Procedure Manual

PC Letter - November 2022

Continuously monitor the implementation of PC

[Position Control Presentation](#)

[Position Control Quick Guide](#)

Projected Completion - 2022-23

2.6. Develop a process for pre-approval of extra time employee payments

Complete

Continued monitoring

Efforts to date

The District has conducted an analysis of all "stipends" paid to employees and remedied any stipends that weren't clearly part of a collective bargaining agreement or Board approved. The District has not conducted a similar analysis of other forms of additional pay in recent years, but is including it as part of its 2021-22 Budget development process to include the widespread use of "Additional Contracts", which references additional compensation for additional work and the way it is managed and funded.

Next Steps

The District has implemented and is using the Human Resource Assignment (HRA) system in escape and has developed procedures and is preparing to relaunch 2.0 training Districtwide (ADD TO DO WHAT).

2.7. Review and implement revised contract approval, processing and management procedures

Partially Complete

Continued monitoring

Efforts to date

The District has updated BP and AR 3312 (Contracts and Delegation of Authority), BP 3290 (Gifts, Grants, and Bequests), and BP 3320 (Claims and Actions Against the District). The District has also updated its Contracts Online system and now conducts annual training for staff on the process and requirements regarding

2.7. Review and implement revised contract approval, processing and management procedures

Partially Complete

Continued monitoring

contracts.

Next Steps

In Progress, but measurable improvement made - LGD to finish narrative.

From the contract. Add position additions Contracts Manager...

2.8. Complete transition to Escape technology system to manage finance and human resource (HR) information

Complete

Continued monitoring

Efforts to date

The District has completed its transition to Escape; however, there were several areas that were incomplete at implementation that have caused the District significant challenges in its financial management and monitoring. The District is currently working aggressively to develop reports and system enhancements to the benefits sub-ledger and simultaneous upgrades to the payroll reporting and outcomes.

There were also Phase II elements that had not been initiated and other procedural upgrades that were slow in launching. The District has re-engaged with Escape and ACOE and is preparing to finalize the Phase II plan as well as identify the appropriate positions required to maintain progress.

2020-21 - Benefits, Position Control, Budget Development

2021-22 - Calendars, Site Based Budget Development (2022-23 Budget), Benefits, Position Control Management/Revised HRA Implementation, Leave Strategies, Procurement and Requisition Workflow, Facilities Project Management

Next Steps

2022-23 - Leave Management Implementation, Site Based Budget Management, Procurement and Requisition Workflow, Facilities Project Management

Continues to work with ACOE and ACOE and will monitor.

2.9. Review and execute on shifts in expenses that maximize the use of restricted funds

Complete

Continued monitoring

Efforts to date

The District is managing the use of its restricted funds and where such use is sustainable and in many areas has reached a cresting point. Key concerns regarding the number of FTE funded by restricted funds and the higher expense in compensation over time supports the MYP outcomes that reductions will need to be made no later than 2022-23 to ensure that the restricted programs, including Special Education, require zero or reasonable contributions from the UnRestricted General Fund.

Next Steps

2020-21 - 2024-25 As one time funds phase out and prioritization on supplemental services is re-set.

See (LGD Pull item above).

3. Vitality - Actions initially intended for medium-to-long-term implementation allow the District to achieve its academic goals while maintaining fiscal health.

<p>3.1. Review and engage school district and school leaders to re-establish appropriate budget roles and responsibility.</p>	<p>Partially Complete</p>	<p>Continued monitoring</p>
<p>Efforts to date</p> <p>Progress has been made in this area with Division leaders in the building of the 2020-21 budget. This work will continue to reach school sites and departments as we build the 2021-22 and out year budgets. Business Staff, for instance, have been introduced as Business Partners and their roles of support and guidance have been introduced in the 2020-21 school year.</p> <p>2020-21 - 2022-23</p> <p>The District...training and development</p> <p>Next Steps</p> <p>2022-23 Workplan. The District has also hired a Chief Financial Officer (2022-23), which also allows us to shift accounting and finance responsibilities back to the Business Services Department, for consistency and continuity in messaging, training, and accountability.</p> <p>District is</p>		

<p>3.2. Establish systems for the management and oversight of bargaining agreements</p>	<p>Complete</p>	<p>N/A</p>
<p>Efforts to date</p> <p>Now that the District’s Business management team has been established, the CBO, Director of Budget, Controller, Director of Payroll (January 2021), Chief Financial Officer (August 2022) and Labor relations are moving swifter in establishing these key roles, to include developing professional development to site and department leaders on position control and funding, perimeters and eligibility for offering standard and additional compensation, as well as leave management as cited in our CBA’s and policies.</p> <p>New procedures for labor issues and reconciliation have also been implemented that include cross functional team dynamics and communication with the Bargaining units. Systematic and standing meeting schedules designed to keep communication fluid and to resolve issues at the lowest level show significant signs of progress in the management, oversight, and effective implementation of our negotiated CBA’s.</p> <p>Other departments and department focus areas have also been added to build a consistent negotiations data and language team that includes several District teams.</p>		

3.2. Establish systems for the management and oversight of bargaining agreements

Complete

N/A

Next Steps

Now that the District’s Business management team has been established, the CBO, Director of Budget, Controller, Director of Payroll (January 2021), Chief Financial Officer (August 2022) and Labor relations are moving swifter in establishing these key roles, to include developing professional development to site and department leaders on position control and funding, perimeters and eligibility for offering standard and additional compensation, as well as leave management as cited in our CBA’s and policies.

New procedures for labor issues and reconciliation have also been implemented that include cross functional team dynamics and communication with the Bargaining units.

Other departments and department focus areas have also been added to build a consistent negotiations data and Labor Relations team that includes several District team members. Currently, a standing Thursday two hour session is scheduled for negotiations/negotiations prep. The District’s recent negotiations in 2022-23 with the Oakland Educators Association was an example of revised strategies of building an effective negotiations team as well as expanding the leadership of other Labor Relations department leaders.

3.3. Consider and act on recommendations from the Blueprint for Quality Schools review

Complete

N/A

Efforts to date

The Board has approved and the District has implemented two cohorts, which expanded three schools, redesigned one school, merged eight schools into four, and closed one school. The Board also adopted Resolution No. 2021-0128 (Advancing District’s Citywide Plan Work), which requires the Superintendent to propose additional school expansions, redesigns, mergers, and/or closures for Fall 2022. Should the Board vote against a merger or closure, the Board must approve ongoing reductions of at least the ongoing net savings from the rejected merger or closure; otherwise, the Superintendent shall proceed with the proposed merger or closure.

At a special Board meeting on January 11, 2023, the Board adopted Resolution No. 2223-0036 - Rescission of School Consolidations for 2022-23, which rescinded the school consolidations scheduled for the end of the 2022-23 school year. On January 25, 2023 staff provided an analysis of Resolution No. 2223-0036 - Rescission of School Consolidations for 2022-23, as provided in Board Agenda Item Number [23-0139](#). Staff also provided a report to begin the discussion regarding Sustainable Community School Redesign on Jun 21, 2023, agenda item number [23-1231](#).

Next Steps

The District will continue the discussions with the Board and community regarding it’s need to modify the number of school campuses and/or programs impacting its operational challenges to maintain, sustain, and

3.3. Consider and act on recommendations from the Blueprint for Quality Schools review

Complete

N/A

afford the expansive offerings as enrollment, attendance, and funding declines.

Board Office Use: Legislative File Info.	
File ID Number	23-2328
Introduction Date	10/11/2023
Enactment Number	
Enactment Date	



Board Cover Memorandum

To Board of Education

From Kyla Johnson-Trammell, Superintendent
Lisa Grant-Dawson, Chief Business Officer

Meeting Date October 11, 2023

Subject OUSD Fiscal Sustainability Plan Update – First Read

Ask of the Board It is recommended that the Governing Board review for First Read, an Update of the Fiscal Sustainability Plan Progress and review the draft list of recommendations for the Fiscal Sustainability Plan for 2023-24 -2025-26 for adoption in March 2024.

Background On February 24, 2021, the Board Adopted Resolution 2021-0040 - Adoption of the Fiscal Sustainability Plan. Within the body of the plan to reflect the intentional commitment to move from discussion to action. The District has historically perfected a year by year approach to affordability as an expression of sustainability. Immediately prior to and upon the Board’s approval of the Fiscal Sustainability Plan, the understanding of the critical need to develop cohesive long-term strategies versus the adopting budget actions on abrupt cuts and reductions was affirmed by the Board, staff, and community. The District counts this and the Board’s movement to make difficult decisions in adopting revised processes and procedures, with community and Board engagement, as a mark of progress. These movements have not been easy.

The Fiscal Sustainability Plan highlights strategies and recommendation where we need greater wins and swifter progress to not only balance our multi-year budget but also to reflect District progress. All of these activities require significant difficult decisions, that must be data driven yet culturally sound. The Superintendent, Board, and staff seek to achieve these decisions in community, recognizing simultaneously where the responsibility and accountability resides.

The Fiscal Sustainability Plan includes and update on the 22 items from the 2018-19 Fiscal Vitality List from the Fiscal Crisis & Management Assistance Team’s

report written in response to the District’s fiscal distress starting at the end of the 2016-17 fiscal year and carried into the 2017-18 fiscal year. The District has addressed and self-asserted that it has addressed and reached a strong control phase for 16 of the 22 Vitality Plan items. The District seeks to have the Alameda County Office of Education and the County Trustee affirm the District’s status and support the District’s continued focus on the remaining six (6) items. The District will update the progress of the remaining six (6) items using the final 2022-23 fiscal year results prior to the Fiscal Sustainability Plan second read and adoption on March 13, 2024. The March 2024 date allows this document to continue to inform the decisions for the current future budget development. The Fiscal Sustainability Plan then becomes more than a task list of things to “address and fix” and more of a strategic map to long term sustainability through effective multi-year strategies.

The District also seeks to include the Board’s pending adoption of Budget Balancing solutions scheduled for February 2024 as part of the final Fiscal Sustainability Plan, which is currently drafted to cover the 2023-24, 2024-25, and 2025-26 fiscal years. This schedule is derived from the AB1200 OEA approval letter with assurance dates provided by the District, in coordination with the Alameda County Office of Education.

The excerpt from the approval letter dated June 27, 2023 reads as follows:

“In order for ACOE to verify that Board and District staff are implementing the budget adjustments the Board approved within the Public Disclosure documents, OUSD will:

- *Provide ACOE with a Board-approved detailed update on its **list of Budget Adjustments by October 31, 2023**;*
- *Share additional updates in ACOE’s bi-weekly call to monitor the staff and Board’s progress with strategic planning;*
- *Present a public update to be provided by First Interim, with further public disclosure and **formal Board Action required no later than February 2024**, to ensure the District meets its obligations in the subsequent fiscal year.”*

The District has also received an updated Fiscal Crisis & Management Assistance Team Assembly Bill (AB) 181 letter dated September 29, 2023. This letter and its recommendations and cautions must also be considered in the recommendations for the final Fiscal Sustainability Plan at second read.

Recommendation

It is recommended that the Governing Board review for First Read, an Update of the Fiscal Sustainability Plan Progress and review the draft list of recommendations for the Fiscal Sustainability Plan for 2023-24 -2025-26 for adoption in March 2024.

Attachments

- Fiscal Sustainability Plan Document - Update 10.11.23
- Fiscal Sustainability Plan Presentation
- FCMAT Letter Alameda COE Oakland USD AB 181 Letter
- Oakland USD AB1200 2022-23 OEA Board Letter

To: Kyla Johnson-Trammell, Superintendent
From: Lisa Grant Dawson, Chief Business Officer
Subject: Fiscal Sustainability Plan Priorities 2023-2026- (Part I - FVP Update)
Date: October 11, 2023

Sustainability Plan

On February 24, 2021, the Board Adopted Resolution 2021-0040 - Adoption of the Fiscal Sustainability Plan. Within the body of the plan to reflect the intentional commitment to move from discussion to action, the plan included the following sections:

Moving from Priorities to Action

This Plan establishes the priorities on which the District will focus over the next three years (2021-2024). The specific actions the Superintendent (or designee) will direct her staff to undertake will be developed annually and will include the aforementioned recommendations on which progress has been made. More specifically, the Superintendent (or designee) will create a draft list of action each May (starting May 2021) for the subsequent fiscal year and will share that draft list with key stakeholders. The Superintendent (or designee) will then determine the final list by June, which will be shared with the Board and ACOE. In September of each year (starting September 2022), the Superintendent (or designee) will review the list of actions from the prior year and will provide a written report and analysis summarizing which actions were fully implemented, partially implemented, and not implemented. These dates correspond with the District's Budget (May) and UnAudited Actuals (September) timelines.

The Draft List of Actions has not been formally prepared as planned due to various areas of shift in focus and other prioritized actions. The District would like to resume this list and offer the following List of Actions for implementation in the 2024-25 Fiscal Year.

The District has provided numerous areas of evidence of progress from Audits to Bargaining, Cash Flow to Enrollment Projections, and Project Management in Facilities to Budget Development. The developing implementation plans are norming and revised timelines for efficient and effective implementation of statutory and requested tasks based on District and Board initiatives are occurring. Time has also allowed the District, absent a recent Board Resolution to pay the District Loan off with one-time resources, to pay its final state loan payment for the 2003 Loan and to be within three years of repaying the final state loan payment.

The District State Loan

Loan Issuance	Date of Issuance	Loan Amount	Annual Loan Payment	Loan Maturity Date	Status
I Bank	6/2/2003	\$65,000,000	\$3,800,000	August 2023	Payment Complete! Procedures to terminate site lease agreement has begun.
State General Fund	6/28/2006	\$35,000,000	\$2,100,000	June 2026	3 Years Remaining

Though summarily impactful and moving the District in the right direction, the District has reached a place where multi-year projections have indicated that we will be. One, District one-time resources are sunsetting. Two, District philanthropic giving has reached new lows, and though we are seeing signs of stabilized enrollment, attendance has reached an unprecedented level and our base revenue projections for 2024-25 are lower than 2023-24.

On Monday, October 2, 2023, the Governing Board hosted the first of four Special Board Meetings designed to share and provide interactive Board, Staff, and Community information and engagement sessions on our current and future budget and operational state. The District’s list of 2023-24 Board Priorities and other lists of investment strategies were also reviewed with additional operational and financial information showcasing to the Oakland Community that our backpacks are overfilled and that we are unable to carry all of the investments and initiatives we have historically maintained. The District Superintendent has also been very clear of the importance of investing in compensation for all employees, which includes affording year over year, the recent OEA agreement. The evidence of these progress points was also raised as a requirement by the Alameda County Office of Education, in conjunction with District staff, which led to a required proof of the District’s planned concept for the 2023-24 and 2024-25 budget years.

Excerpt from OEA AB1200 Approval Letter

“In order for ACOE to verify that Board and District staff are implementing the budget adjustments the Board approved within the Public Disclosure documents, OUSD will:

- Provide ACOE with a Board-approved detailed update on its **list of Budget Adjustments by October 31, 2023**;
- Share additional updates in ACOE's bi-weekly call to monitor the staff and Board's progress with strategic planning;
- Present a public update to be provided by First Interim, with further public disclosure and **formal Board Action required no later than February 2024**, to ensure the District meets its obligations in the subsequent fiscal year."

What Actions Can We Report On?

The original Sustainability plan stated that the District would report on the prior year's actions in September of each year. The District included a plan for reductions that took a significant step in developing a multi-year strategic plan of action and having the Board vote for these initiatives in advance of the new year.

Part I. Implementation Status of the Fiscal Vitality Plan

Over the past four years, the District has addressed and implemented 16 of the 22 recommendations in the FVP. At the same time, some of the recommendations are no longer relevant, as they were developed in 2018-19, remain in progress, or have not been completed. Below is the latest implementation status of each of the 22 FVP recommendations and the District's recommendation for implementation status. The District has several lists of tasks to complete in its Fiscal Sustainability Plan and believes that addressing this list and eliminating those items the District feels are complete and/or are under control. This will allow the District to have a more focused approach and not constantly manage additional task lists and updates that can deter from focusing on more impactful projects and strategies.

Summary

The following table summarizes the status and next steps for each recommendation in the Fiscal Vitality Plan. Each item links to more details within this document regarding our efforts to date and any next steps, as applicable. For some items, the details link to more information outside the scope of this document.

Item	Description	Status	Next Steps
1.1	Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty	Complete	Continued monitoring

<u>1.2</u>	Institute adjustments to existing Central Office positions	Complete	Continued monitoring
<u>1.3</u>	Maximize the use of restricted revenue resources	Partially Complete	Continued monitoring
<u>1.4</u>	Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings	Complete	Continued monitoring
<u>1.5</u>	Pursue capture of donated days and/or furlough	Complete	N/A
<u>1.6</u>	Adjust school per pupil allocations to capture savings	Complete	Continued monitoring
<u>1.7</u>	Institute closer monitoring of contributions to other programs, e.g. special education, nutrition, early childhood	Complete	Continued monitoring
<u>1.8</u>	Update and implement budget forecast and projection practices	Complete	Continued monitoring
<u>1.9</u>	Review and update cash flow monitoring practices	Complete	Continued monitoring
<u>1.10</u>	Institute immediate protocols to limit and review spending among Central Office and school sites	Complete	Continued monitoring
<u>2.1</u>	Plan for and adopt a balanced budget that avoids future deficit spending	Complete	Continued monitoring
<u>2.2</u>	Establish and conduct zero-based budgeting sessions with all Central Office practices	Complete	Continued monitoring
<u>2.3</u>	Research, engage and implement a Central Office reorganization	Partially Complete	Continued monitoring
<u>2.4</u>	Institute and conduct monthly central office and school site budget monitoring practices	Partially Complete	Continued monitoring
<u>2.5</u>	Review, update and implement effective position control practices	Partially Complete	Continued monitoring
<u>2.6</u>	Develop a process for pre-approval of extra time employee payments	Complete	Continued monitoring

<u>2.7</u>	Review and implement revised contract approval, processing and management procedures	Partially Complete	Continued monitoring
<u>2.8</u>	Complete transition to Escape technology system to manage finance and human resource (HR) information	Complete	Continued monitoring
<u>2.9</u>	Review and execute on shifts in expenses that maximize the use of restricted funds	Complete	Continued monitoring
<u>3.1</u>	Review and engage school district and school leaders to re-establish appropriate budget roles and responsibility	Partially Complete	Continued monitoring
<u>3.2</u>	Establish systems for the management and oversight of bargaining agreements	Complete	N/A
<u>3.3</u>	Consider and act on recommendations from the Blueprint for Quality Schools review	Complete	N/A

Part 2. Recommendations for the Fiscal Sustainability Plan

The District’s strategies to address not only the quality of schools, number of schools, equity of programs, allocations or resources, have evolved, been modified, and some halted and recently rescinded since the development of the vitality plan.

Currently, it is recommended that the, the Fiscal Sustainability Plan for 2023-24 through 2025-26 focus will rely on the planned outcomes of the following areas of focus:

1. OUSD School Redesign Plan as it relates to how many schools and campuses the District operates and therefore must allocate to maintain.
2. Enrollment stabilization report and Outcomes as it relates to how many students the District will host in future years. The 2023-24 enrollment outcomes are most critical to plan for as it will establish our new foundation post pandemic. The District also invested \$1.5M additional resources for three years that will expire in 2023-24.
3. Completion of the remaining 6 areas of the Fiscal Vitality Plan.
4. Continued focus on the District’s Financial Audit and the goal of the audit being “free of material weaknesses and that includes an unqualified opinion. Furthermore, the audit shall be free from any material internal control findings.” [2023-23 Trailer Bill Language]
5. Implementation and adjustment of One Time Shifts in 2023-24 from the Districts Budget Reduction Plan, to ensure sustainability of resources captured to afford ongoing salary increases. This includes planned re-organizations of post reductions in various departments and ongoing tasks and responsibilities required for revised District operations are maintained or amended.

6. Re-imagining how the District will maintain its obligations to Deferred Maintenance and other capital asset investments that are not funded by Bond resources.
7. Initiate and complete the Fiscal Systems Audit To allow the District to shift into a new space of opportunity in planned transition from Fiscal Oversight and long term debt by 2025-26.
8. Continue revising a strong implementation plan in the Finance and Operations Divisions specifically, to ensure growth and strong leadership as transitions occur, and the ability to support ongoing financial and operational goals to mitigate reverting back to fiscal receivership.
9. Develop a multi-year plan of action of how to reduce its operational size and investments and make District adjustments to be ahead of what is a growing curve of reductions of Average Daily Attendance. This includes an analysis of the growth in Special Education and the impact to the Budget.
10. Invest in compensation for its employees - All employees within one year of the OEA agreement versus three years as experienced within the last CBA cycles.

Details by Recommendation

1. Stability - Actions initially intended for implementation in the short-term to stabilize the District's then current financial situation and plan for the future.

Item	Status	Next Steps
1.1. Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty	Complete	Continued monitoring
<p>Efforts to date</p> <p>The District has met the minimum 2% and an additional 1% Reserve, equalling a 3% since 2018-19.</p> <p>The District has met its 3% reserve requirements as required by the California Code of Regulations 5 15450. The District is also confirming that no additional language or policy references an additional reserve beyond the minimum at this time, though we have been operating under that premise. In reviewing the BP changes per Agenda Item 12-2392, which set the reserve to 3% and was amended back to the CCR minimum requirement in May 2019 per BP 19-0492.</p> <p>Next Steps</p> <p>Continued monitoring</p>		

1.2. Institute adjustments to existing Central Office positions	Complete	Continued monitoring
<p>Efforts to date</p> <p>The District has eliminated certain Central Office positions each year since 2017-18. In 2017-18, there were approximately 1,000 FTE in the Central Office; currently, there are 916 FTE in the Central Office. This excludes recent investments in positions that are funded centrally such as counselors and literacy tutors.</p> <p>The District has reduced central office positions annually in what essentially have been staffing reductions for central office positions such that total central office (and "district-wide") positions existed as follows:</p> <p>2015-16: 2,002 2016-17: 1,584 2017-18: 1,390 2018-19: 1,331 2019-20: 1,230 2020-21: 1,183 2021-22: 1,418 2022-23: 1,463</p>		

Of the positions in 2022-23, 728.37 FTE are funded by the Unrestricted and 735.24 by Restricted Resources. 93 FTE are funded by COVID related resources which will sunset in 2024, though the District is allowed to spend down the COVID resources in 2024.

Next Steps

In 2021-22, The District completed the Business Services, Technology, and Talent Departments in December 2021 as conducted by School Services of California and presented at the Governing Board's regular meeting on December 15, 2021, agenda item number [21-3064](#). The District will formally update and respond to the recommendations from this report as part of the 2024-25 Budget Development List of Reductions and Additions for Budget Balancing Solutions.

The District also issued RFP 22-127CSI DISTRICT REDESIGN FOR OAKLAND UNIFIED SCHOOL DISTRICT, CONTINUOUS SCHOOL IMPROVEMENT DIVISION. Continuous School Improvement (CSI) is the District's Division Header for what may be standardly used as Education Services. The District selected Public Works to conduct the analysis. A presentation of the findings was provided at the Governing Board Meeting on August 23, 2023, agenda item number [23-1232](#). It is currently projected that staff will provide the Board with recommendations in December 2023 as a result of the findings.

Solicitations to analyze the Facilities and Legal Services departments in 2021-22 and 2022-23 did not yield responses from external entities; thus, the District will analyze these departments internally, as is a common standard. The analysis of the reorganization of both departments is in progress.

1.3. Maximize the use of restricted revenue resources

Partially
Complete

Continued
monitoring

Efforts to date

The District has significantly improved how it uses and budgets restricted revenues. In 2017-18, the ending balance for restricted funds was \$38.6 million; in 2019-20, the unaudited actuals found that the ending balance for restricted funds was \$34.5 million, and in 2021-22, \$67.5M. It should be noted that \$20M is one-time COVID Response resource eligible to maintain a fund balance. *Need to review 9000 to make distinctions.*

[Learn More](#)

Next Steps

2022-23 - Show FTE U/UR

What was that of the balance of the total

1.4. Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings

Complete

Continued monitoring

Efforts to date

The District has analyzed Central Office-based contracts and books/supplies for possible freeze and capture of savings. As noted in previous reports, the budgets for Central Office-based contracts and books/supplies were \$26.9 million and \$5.5 million, respectively; in 2020-21, the adopted budgets for the same categories are \$15.4 million and \$6.2 million, respectively.

The District considers the expenditures in these areas under control, though not specifically aligned due to the manner in which reductions were made and maintained over time. The District is in the process of recalibrating such expenditures accordingly through minimal spending.

See Also

[Contractor Expenditure Analysis](#)

[Books & Supplies Expenditure Analysis](#)

Next Steps

2022-23 - Show FTE U/UR

What was that of the balance of the total

1.5. Pursue capture of donated days and/or furlough

Complete

N/A

Efforts to date

The District asked for voluntary furloughs by senior leadership in 2017-18 as part of mid-year reductions and discussed the same with its collective bargaining units. The former was implemented; there ended up not being a financial need for the latter. The urgent need for exploring this possibility dissipated soon after adoption of the FVP.

Next Steps

N/A - Should be removed from the Fiscal Vitality List as it was a one time action and not recommended nor viable as an ongoing strategy.

1.6. Adjust school per pupil allocations to capture savings

Complete

Continued monitoring

Efforts to date

The District has reduced and/or adjusted school per pupil allocations on at least two occasions (i.e., as part

1.6. Adjust school per pupil allocations to capture savings**Complete****Continued monitoring**

of budget reductions for the 2019-20 and the 2020-21 fiscal years \$65 in Supplemental for \$1.8M). These changes have included across-the-board reductions as well as adjustments to the pupil pupil allocations based on grade level rates (as opposed to school type) and adjustments to enrollment practices to create more sustainable cohorts and fewer combination classes.

Next Steps

This recommendation appears to be listed as an option for the District to consider with no metric nor standards included in the initial recommendation. The District has applied such strategies within and outside of the vitality plan options and may explore as necessary in the future, but sees no reason this item is a recurring item.

1.7. Institute closer monitoring of contributions to other programs, e.g., special education, nutrition, and early childhood**Complete****Continued monitoring****Efforts to date**

The District has not made a contribution to Fund 12 nor Fund 13 since the 2019-20 school year and is not forecasted to do so in light of additional revenue, participation, and enrollment and expansion of programs with funding.

Add Summary of history.

Next Steps

The District will continue to monitor.

1.8. Update and implement budget forecast and projection practices**Complete****Continued monitoring****Efforts to date**

The District has modified its budget development calendar and budget forecast practices by migrating firstly from a single year to a multi-year format. Multi-year assumptions are provided and updated with every budget and interim reports with a focus to more accurately project and report how the District will end each projected period and the impact in the multi-year based on projected changes in revenue and expenditures.

The District has been successful in this migration in not only the Board and community understanding and

1.8. Update and implement budget forecast and projection practices

Complete

Continued monitoring

expecting that sustainability relies on three years of solvency, but also the planning and development practices with sites, programs, and departments includes a multi-year concept to ensure that investments made are reviewed and modified with discretion as costs change and revenue is adjusted.

Next Steps

The District will continue to monitor.

1.9. Review and update cash flow monitoring practices

Complete

Continued monitoring

Efforts to date

The District has significantly improved its cash flow monitoring practices. This was a key area of improvement as a result of the training provided by the District's financial consultants. The District is making significant strides in developing its cash flow model to better analyze and model its projections. The District is also keen on discerning the reasons for the annual \$30 million Fall Borrowing from the ACOE (not initiated in the Fall of 2020) and mitigating such practices, the impact of the current LCFF cash flow deficits for 2020-21, and the impact of the various restricted grants and programs and their impact to the districts cash flow.

Cash Flow ending balances have been as follows and has not been an extreme area of critical concern from ACOE Or FCMAT oversight communication.

2016-17

2017-18

2018-19

2019-20 - \$51M

2020-21 - \$104M

2021-22 - \$133M

2022-23 - Projected as of Second Interim - \$196M

Cash Flow is a standard metric and concern for all District's and OUSD is eligible to be aligned in evaluation as are other Districts accordingly.

Next Steps

The District has instituted a fluid Cash Flow projection model and tool and is in progress of cross training District financial management staff on how to complete and monitor the cash flow analysis as this work was done by the CBO and Controller.

1.10. Institute immediate protocols to limit and review spending among Central Office and school sites

Complete

Continued monitoring

Efforts to date

The District implemented protocols to limit and review spending among Central Office and school sites and continues to monitor the same.

Next Steps

Budget Handbook

Purchasing & Requisition process

Staffing and Positional Control

2. Recovery - Actions initially intended for short-to-medium term implementation to help the District recover from its then current financial position.

2.1. Plan for and adopt a balanced budget that avoids future deficit spending	Complete	Continued monitoring
<p>Efforts to date</p> <p>The District has made substantial progress in planning for and adopting a balanced budget that avoids deficit spending. In March 2020, the Board approved more than \$20 million in ongoing reductions. The District is projected to report a positive certification for the 2022-23 First Interim and is projected to be positive for the two out years.</p> <p>Next Steps</p> <p>Significant Progress Made and Controls instituted: LGD to finish update.</p> <p>Historical Deficit in GF</p> <p>Continue to Manage</p> <p>However, more work in this area is needed given the bargained (and needed) increases in compensation and the resultant annual increases in salary and benefits, fragility of state revenue projections as a result of COVID-19, and future projected increases in expenditures and necessary reductions to offset the flat projected revenues year over year.</p>		

2.2. Establish and conduct zero-based budgeting sessions with all Central Office practices	Complete	Continued monitoring
<p>Efforts to date</p> <p>All Central Office budgets for 2018-21 were developed through a modified zero-based process. The District was unable to host the meetings as prescribed in 2020-21 for all sites and departments, but did enhance and develop a budget meeting format whether in person or online using shared budget development tools/resources.</p> <p>This process for 2021-22 and 2022-23 has been completed.</p> <p>Next Steps</p> <p>Departments have had budget meetings for two years and we have begun year three as the 2023-24 budget development has already begun.</p> <p>As the 2023-24 Budget is being developed, consistent practices, to include budget planning meetings with ALL sites and departments occurring earlier, with room for development and engagement is on its third year of implementation.</p>		

2.2. Establish and conduct zero-based budgeting sessions with all Central Office practices

Complete

Continued monitoring

Enrollment projections are set to be completed by November, Central Department Budget Staffing meeting was launched in November, and Draft Budget One Pagers for school Sites will be completed prior to the December winter break, with school site Budget meetings occurring in January.

This provides more strategized time to plan, review, and adjust the budget for all funds and resources and meet expectations for preliminary budget and LCAP alignment annually in June. Historically, the District began budget development in January.

2.3. Research, engage and implement a Central Office reorganization

Partially Complete

Continued monitoring

Efforts to date

The District has completed its contract and received its final staffing report from [School Services of California](#) to review and analyze the Business Services, Human Resources, and Technology Department. Though there have been adjustments to these departments since 2017-18, this analysis has provided the District with additional information to support future reorganizations. Many of the recommendations have not been able to be designed nor implemented, primarily due to the continued adjustments to meet needs for budget reduction. The District plans to continue to address the recommendations, but remains committed to level set and address the staffing elements noted in the report.

Next Steps

Item 1.2 and 2.3 Coincide and have been done, but next steps on the Central Reorg evaluation for Ed Services, Legal Services, and Facilities is on deck for the 2022-23 Fiscal year.

In 2021-22, The District completed the Business Services, Technology, and Talent Departments in December 2021. In October 2022, the District issued [RFP 22-127CSI DISTRICT REDESIGN FOR OAKLAND UNIFIED SCHOOL DISTRICT, CONTINUOUS SCHOOL IMPROVEMENT DIVISION](#). Continuous School Improvement (CSI) is the District's Division Header for what may be standardly used as Education or Academic Services. The contract for this analysis was awarded to [Public Works, LLC](#) and is scheduled to be completed by June 2023.

Requests for information to analyze our Facilities and Legal Services as departments have not yielded responses from the entities contacted as of December 2022; thus, the District will analyze these departments internally in comparison to other Districts with partnership between the Talent Division and Business Services.

2.3. Research, engage and implement a Central Office reorganization

Partially Complete

Continued monitoring

This provides more strategized time to plan, review, and adjust the budget for all funds and resources and meet expectations for preliminary budget and LCAP alignment annually in June. Historically, the District began budget development in January.

2.4. Institute and conduct monthly central office and school site budget monitoring practices

Partially Complete

Continued monitoring

Efforts to date

The District has hired a new Chief Business Officer (April 2020) and Director of Budget & Finance (Jan 2021) who have adopted the reorganization plan for the Budget & Finance department as recommended and approved by the Board in March 2020 and begun the process of the teaching staff how to manage and analyze the budget and actual activities of sites and department budgets monthly to include reconciling resources and funds as assigned.

The addition of the alignment of the Business Partners to their assigned departments, resources, and sites, in addition to the more recent addition of the Chief Financial Officer, has made and will make the monthly budget and actual monitoring even more streamlined and efficient. The District has implemented Interim review practices and reconciliation standards to support firm projections and consistent outcomes, with less swings between reporting periods and accuracy in reporting.

MERGE

Next Steps

There are monthly and quarterly procedures in place to support budget monitoring processes for all sites and also resources and programs.

Recommend Metric and language for expectations.

2.5. Review, update and implement effective position control practices

Partially Complete

Continued monitoring

Efforts to date

The District has developed a final Position Control Handbook and is in the first phases of implementing its Standard Operating Procedure for position control with support from the ACOE and as part of the ISTA work

2.5. Review, update and implement effective position control practices

Partially Complete

Continued monitoring

and progress.

Next Steps

Procedure Manual

PC Letter - November 2022

Continuously monitor the implementation of PC

[Position Control Presentation](#)

[Position Control Quick Guide](#)

Projected Completion - 2022-23

2.6. Develop a process for pre-approval of extra time employee payments

Complete

Continued monitoring

Efforts to date

The District has conducted an analysis of all "stipends" paid to employees and remedied any stipends that weren't clearly part of a collective bargaining agreement or Board approved. The District has not conducted a similar analysis of other forms of additional pay in recent years, but is including it as part of its 2021-22 Budget development process to include the widespread use of "Additional Contracts", which references additional compensation for additional work and the way it is managed and funded.

Next Steps

The District has implemented and is using the Human Resource Assignment (HRA) system in escape and has developed procedures and is preparing to relaunch 2.0 training Districtwide (ADD TO DO WHAT).

2.7. Review and implement revised contract approval, processing and management procedures

Partially Complete

Continued monitoring

Efforts to date

The District has updated BP and AR 3312 (Contracts and Delegation of Authority), BP 3290 (Gifts, Grants, and Bequests), and BP 3320 (Claims and Actions Against the District). The District has also updated its Contracts Online system and now conducts annual training for staff on the process and requirements regarding

2.7. Review and implement revised contract approval, processing and management procedures

Partially Complete

Continued monitoring

contracts.

Next Steps

In Progress, but measurable improvement made - LGD to finish narrative.

From the contract. Add position additions Contracts Manager...

2.8. Complete transition to Escape technology system to manage finance and human resource (HR) information

Complete

Continued monitoring

Efforts to date

The District has completed its transition to Escape; however, there were several areas that were incomplete at implementation that have caused the District significant challenges in its financial management and monitoring. The District is currently working aggressively to develop reports and system enhancements to the benefits sub-ledger and simultaneous upgrades to the payroll reporting and outcomes.

There were also Phase II elements that had not been initiated and other procedural upgrades that were slow in launching. The District has re-engaged with Escape and ACOE and is preparing to finalize the Phase II plan as well as identify the appropriate positions required to maintain progress.

2020-21 - Benefits, Position Control, Budget Development

2021-22 - Calendars, Site Based Budget Development (2022-23 Budget), Benefits, Position Control Management/Revised HRA Implementation, Leave Strategies, Procurement and Requisition Workflow, Facilities Project Management

Next Steps

2022-23 - Leave Management Implementation, Site Based Budget Management, Procurement and Requisition Workflow, Facilities Project Management

Continues to work with ACOE and ACOE and will monitor.

2.9. Review and execute on shifts in expenses that maximize the use of restricted funds

Complete

Continued monitoring

Efforts to date

The District is managing the use of its restricted funds and where such use is sustainable and in many areas has reached a cresting point. Key concerns regarding the number of FTE funded by restricted funds and the higher expense in compensation over time supports the MYP outcomes that reductions will need to be made no later than 2022-23 to ensure that the restricted programs, including Special Education, require zero or reasonable contributions from the UnRestricted General Fund.

Next Steps

2020-21 - 2024-25 As one time funds phase out and prioritization on supplemental services is re-set.

See (LGD Pull item above).

3. Vitality - Actions initially intended for medium-to-long-term implementation allow the District to achieve its academic goals while maintaining fiscal health.

<p>3.1. Review and engage school district and school leaders to re-establish appropriate budget roles and responsibility.</p>	<p>Partially Complete</p>	<p>Continued monitoring</p>
<p>Efforts to date</p> <p>Progress has been made in this area with Division leaders in the building of the 2020-21 budget. This work will continue to reach school sites and departments as we build the 2021-22 and out year budgets. Business Staff, for instance, have been introduced as Business Partners and their roles of support and guidance have been introduced in the 2020-21 school year.</p> <p>2020-21 - 2022-23</p> <p>The District...training and development</p> <p>Next Steps</p> <p>2022-23 Workplan. The District has also hired a Chief Financial Officer (2022-23), which also allows us to shift accounting and finance responsibilities back to the Business Services Department, for consistency and continuity in messaging, training, and accountability.</p> <p>District is</p>		

<p>3.2. Establish systems for the management and oversight of bargaining agreements</p>	<p>Complete</p>	<p>N/A</p>
<p>Efforts to date</p> <p>Now that the District’s Business management team has been established, the CBO, Director of Budget, Controller, Director of Payroll (January 2021), Chief Financial Officer (August 2022) and Labor relations are moving swifter in establishing these key roles, to include developing professional development to site and department leaders on position control and funding, perimeters and eligibility for offering standard and additional compensation, as well as leave management as cited in our CBA’s and policies.</p> <p>New procedures for labor issues and reconciliation have also been implemented that include cross functional team dynamics and communication with the Bargaining units. Systematic and standing meeting schedules designed to keep communication fluid and to resolve issues at the lowest level show significant signs of progress in the management, oversight, and effective implementation of our negotiated CBA’s.</p> <p>Other departments and department focus areas have also been added to build a consistent negotiations data and language team that includes several District teams.</p>		

3.2. Establish systems for the management and oversight of bargaining agreements

Complete

N/A

Next Steps

Now that the District's Business management team has been established, the CBO, Director of Budget, Controller, Director of Payroll (January 2021), Chief Financial Officer (August 2022) and Labor relations are moving swifter in establishing these key roles, to include developing professional development to site and department leaders on position control and funding, perimeters and eligibility for offering standard and additional compensation, as well as leave management as cited in our CBA's and policies.

New procedures for labor issues and reconciliation have also been implemented that include cross functional team dynamics and communication with the Bargaining units.

Other departments and department focus areas have also been added to build a consistent negotiations data and Labor Relations team that includes several District team members. Currently, a standing Thursday two hour session is scheduled for negotiations/negotiations prep. The District's recent negotiations in 2022-23 with the Oakland Educators Association was an example of revised strategies of building an effective negotiations team as well as expanding the leadership of other Labor Relations department leaders.

3.3. Consider and act on recommendations from the Blueprint for Quality Schools review

Complete

N/A

Efforts to date

The Board has approved and the District has implemented two cohorts, which expanded three schools, redesigned one school, merged eight schools into four, and closed one school. The Board also adopted Resolution No. 2021-0128 (Advancing District's Citywide Plan Work), which requires the Superintendent to propose additional school expansions, redesigns, mergers, and/or closures for Fall 2022. Should the Board vote against a merger or closure, the Board must approve ongoing reductions of at least the ongoing net savings from the rejected merger or closure; otherwise, the Superintendent shall proceed with the proposed merger or closure.

At a special Board meeting on January 11, 2023, the Board adopted Resolution No. 2223-0036 - Rescission of School Consolidations for 2022-23, which rescinded the school consolidations scheduled for the end of the 2022-23 school year. On January 25, 2023 staff provided an analysis of Resolution No. 2223-0036 - Rescission of School Consolidations for 2022-23, as provided in Board Agenda Item Number [23-0139](#). Staff also provided a report to begin the discussion regarding Sustainable Community School Redesign on Jun 21, 2023, agenda item number [23-1231](#).

Next Steps

The District will continue the discussions with the Board and community regarding it's need to modify the number of school campuses and/or programs impacting its operational challenges to maintain, sustain, and

3.3. Consider and act on recommendations from the Blueprint for Quality Schools review

Complete

N/A

afford the expansive offerings as enrollment, attendance, and funding declines.

OUSD Fiscal Sustainability Plan

Progress Update & Looking Ahead

Presented by: Lisa Grant-Dawson, Chief Business Officer
Board of Education Meeting October 11, 2023



**OAKLAND UNIFIED
SCHOOL DISTRICT**

Community Schools, Thriving Students

Agenda

- Background
- Closing out the 2018-20 Fiscal Vitality Plan
- Update on 2021-24 Fiscal Sustainability Plan
- Next Steps

OUSD financial history since state receivership

District falls into state receivership

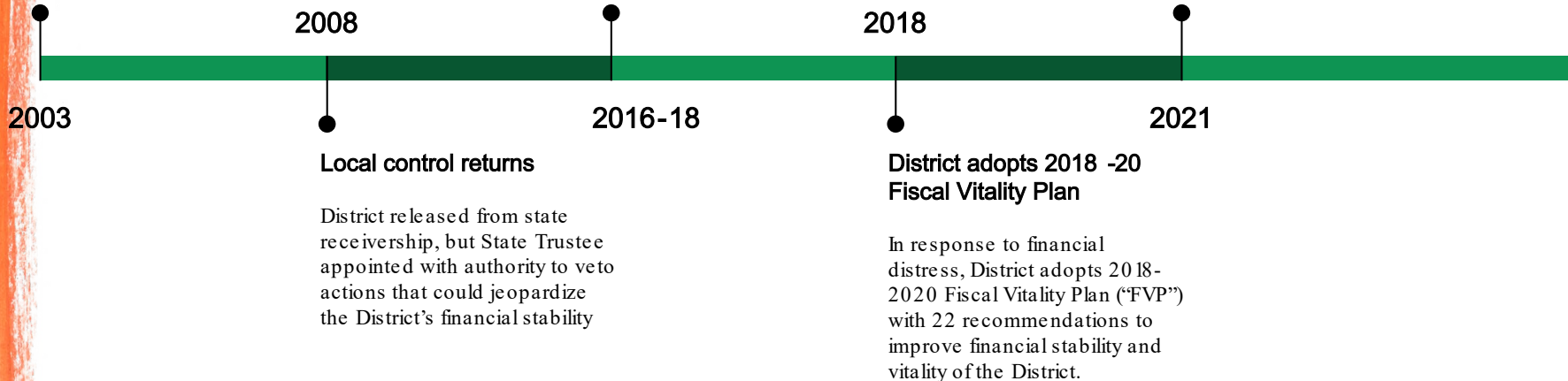
District accepts \$100 Million in loans and loses local control with the appointment of a State Administrator to make decisions instead of a school board

District faces significant financial distress

From 2016-17 to 2017-18 District faces mid-year cuts and significant budgetary reductions to maintain minimum reserves.

District Adopts 2021 -24 Fiscal Sustainability Plan

District adopts successor plan to FVP with 5 areas of focus



Closing out Fiscal Vitality Plan - Overview

- 2018-20 Fiscal Vitality Plan contained a mix of 22 one-time and ongoing recommendations designed to put OUSD on solid financial footing
- While the District has addressed 16 of the 22 recommendations, some are no longer relevant and some warrant ongoing monitoring.
- The table on the following slides provides a progress summary of the 2018-20 FVP as we continue to turn our focus to the 2021-24 Fiscal Sustainability Plan

Closing out Fiscal Vitality Plan - 1. Stability

Item	Description	Status	Next Steps
1.1	Restore the ending fund balance and maintain the state -mandated reserve for economic uncertainty	Complete	Continued monitoring
1.2	Institute adjustments to existing Central Office positions	Complete	Continued monitoring
1.3	Maximize the use of restricted revenue resources	Partially Complete	Continued monitoring
1.4	Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings	Complete	Continued monitoring
1.5	Pursue capture of donated days and/or furlough	Complete	N/A
1.6	Adjust school per pupil allocations to capture savings	Complete	Continued monitoring
1.7	Institute closer monitoring of contributions to other programs, e.g. special education, nutrition, early childhood	Complete	Continued monitoring
1.8	Update and implement budget forecast and projection practices	Complete	Continued monitoring
1.9	Review and update cash flow monitoring practices	Complete	Continued monitoring
1.10	Institute immediate protocols to limit and review spending among Central Office and school sites	Complete	Continued monitoring

Closing out Fiscal Vitality Plan - 2. Recovery

Item	Description	Status	Next Steps
2.1	Plan for and adopt a balanced budget that avoids future deficit spending	Complete	Continued monitoring
2.2	Establish and conduct zero-based budgeting sessions with all Central Office practices	Complete	Continued monitoring
2.3	Research, engage and implement a Central Office reorganization	Partially Complete	Continued monitoring
2.4	Institute and conduct monthly central office and school site budget monitoring practices	Partially Complete	Continued monitoring
2.5	Review, update and implement effective position control practices	Partially Complete	Continued monitoring
2.6	Develop a process for pre-approval of extra time employee payments	Complete	Continued monitoring
2.7	Review and implement revised contract approval, processing and management procedures	Partially Complete	Continued monitoring
2.8	Complete transition to Escape technology system to manage finance and human resource (HR) information	Complete	Continued monitoring
2.9	Review and execute on shifts in expenses that maximize the use of restricted funds	Complete	Continued monitoring

Closing out Fiscal Vitality Plan - 3. Vitality

Item	Description	Status	Next Steps
3.1	Review and engage school district and school leaders to re-establish appropriate budget roles and responsibility	Partially Complete	Continued monitoring
3.2	Establish systems for the management and oversight of bargaining agreements	Complete	N/A
3.3	Consider and act on recommendations from the Blueprint for Quality Schools review	Complete	N/A

2021-24 Fiscal Sustainability Plan

- In 2021, the Fiscal Sustainability Plan (“FSP”) was adopted in recognition of improved financial conditions but a continuing need to improve financial & operational processes to solidify financial stability
- Five broad priority areas were identified in the FSP with specific tasks to developed over the life of the FSP:
 - Budget and Operational Practices
 - Budget Development and Stakeholder Engagement
 - School Quality and Enrollment
 - Use of Restricted Resources
 - Ability to Make Difficult Decisions

FSP Update - Budget & Operational Practices

Highlights

- Purchasing and procurement (incl. contract management)
- Position control
- Cash flow projections
- Student nutrition (incl. building an independent and viable food service system)
- Enrollment projections and staffing (incl. position funding and program management and audit requirements)
- Leave management (incl. accurate reporting and tracking)

FSP Update - Budget Development & Stakeholder Engagement

Highlights

- Embrace District's historical and cultural nuances as well as key areas of priority and direction
- Start earlier

FSP Update - School Quality and Enrollment

Highlights

- Enrollment is largest driver of revenue, which is factored by attendance.
- OUSD has not seen dramatic COVID-related enrollment decrease

FSP Update - Use of Restricted Resources

Highlights

- Reduce use of restricted, one-time resources to fund ongoing base programming
- Reduce ending fund balances in each restricted resource

FSP Update - Ability to Make Difficult Decisions

Highlights

- Ensure structurally balanced budgets in three year intervals.
- Work to ensure high quality schools that attract students and that # of schools and sizes of school are financially sustainable.
- Improve Cash Flow Balances
- Improve the Fund Balance trends

Next Steps - Recommendations 1 - 4

1. OUSD School Redesign Plan as it relates to how many schools and campuses the District operates and therefore must allocate funding to maintain.
2. Enrollment stabilization report and Outcomes as it relates to how many students the District will host in future years. The 2023-24 enrollment outcomes are most critical to plan for as it will establish our new foundation post pandemic. The District also invested \$1.5M additional resources for three years that will expire in 2023-24.
3. Completion of the remaining 6 areas of the Fiscal Vitality Plan.
4. Continued focus on the District's Financial Audit and the goal of the audit being "free of material weaknesses," free from any material internal control findings" and includes an unqualified opinion.

Next Steps - Recommendations 5 - 8

1. Implementation and adjustment of One Time Shifts in 2023-24 from the Districts Budget Reduction Plan, to ensure sustainability of resources captured to afford ongoing salary increases. This includes planned re-organizations of post reductions in various departments and ongoing tasks and responsibilities required for revised District operations are maintained or amended.
2. Re-imagining how the District will maintain its obligations to Deferred Maintenance and other capital asset investments that are not funded by Bond resources.
3. If the District Board approves proceeding with the Fiscal Systems Audit, initiate and complete the audit to allow the District to shift into a new space of opportunity in planned transition from Fiscal Oversight and long term debt by 2025-26.
4. Continue revising a strong implementation plan in the Finance and Operations Divisions specifically, to ensure growth and strong leadership as transitions occur, and the ability to support ongoing financial and operational goals to mitigate reverting back to fiscal receivership.

Next Steps

The District's strategies to address not only the quality of schools, number of schools, equity of programs, allocations or resources, have evolved, been modified, and some halted or recently rescinded since the development of the FVP and FSP.

It is currently recommended that efforts under the 2021-24 FSP be extended through 2023-26 and focus on the following 10 areas

1. Re-Design Plans
2. Enrollment Stabilization
3. Complete Remaining 6 Vitality Plan Areas
4. Securing an unqualified financial audit
5. Address One-Time Shifts from 2023-24 and Impact of One-Time Investments back into the General Fund

Next Steps

6. Address deficits in Deferred/Facility Maintenance Investments
7. Initiate and complete the Fiscal Systems Audit
8. Continue finance department implementation plan
9. Develop multi-year plan of how to adjust the District's size, programs, and initiatives including a review of the exponential growth in Special Education
10. Invest in competitive compensation for all employees.



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FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

September 29, 2023

Honorable Joe Stephenshaw, Director
California Department of Finance
1021 O Street, Suite 3110
Sacramento, CA 95814

Honorable Phil Ting, Chair
California State Assembly Committee on Budget
1021 O Street, Suite 8230
Sacramento, CA 95814

Honorable Nancy Skinner, Chair
California State Senate Committee on Budget and Fiscal Review
State Capitol, Room 502
Sacramento, CA 95814

Dear Director Stephenshaw, Chairperson Ting and Committee Members, and Chairperson Skinner and Committee Members:

This letter is submitted for your consideration in accordance with the Fiscal Crisis and Management Assistance Team's (FCMAT's) responsibilities under Assembly Bill (AB) 181 Section 36, which added Section 42162 to the Education Code (EC), regarding the Oakland Unified School District. EC 42162(d) states:

Funds described in subdivision (b) shall be allocated to Oakland Unified School District upon the certification of the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Alameda County Superintendent of Schools to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance that the activities described in subdivision (c) have been completed. Additionally, by October 1, 2023, the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Alameda County Superintendent of Schools, shall report to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance the progress that Oakland Unified School District has made to complete the activities described in subdivision (c).

The intent of this letter is to provide you with FCMAT's findings regarding the district's progress in completing the requirements outlined in EC 42162(c).

On March 31, 2023, FCMAT provided a letter in compliance with EC 42162, a copy of which is available at <https://www.fcmat.org/publicationsreports/alameda-coe-oakland-usd-ab-181-letter.pdf>. The district did not meet the requirements listed in EC 42162(a)(1)(2) or (3). As such, the district did not receive an additional apportionment of state funds to help it achieve fiscal solvency in 2023-24.

Furthermore, FCMAT and the Alameda County Superintendent of Schools provided joint recommendations for revisions to EC 42162(c), which were not included in any 2023-24 budget trailer bills. The analysis in this

letter is based on the original criteria in EC 42162(c), not the criteria recommended by FCMAT in its March 31, 2023 letter.

FCMAT Analysis and Findings Relative to Activities Defined in Education Code 42162(c)

1. Updated 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, with progress updates on each of the recommendations.

As reported in FCMAT's letter dated March 31, 2023, the district contracted with School Services of California, Inc. for a review of the organizational structure and staffing of its Finance Division, Information Technology Services Department, and Talent Division (Exhibit A).

The report's findings were presented to the board on December 15, 2021 and included 14 recommendations for the district to consider. Although numerous recommendations were made, the large number of schools relative to comparison districts was mentioned throughout the report as well as the related increased staffing needs, higher level of service required from the central office, and higher number of direct services provided to the schools by the central office. The large number of schools in the district requires more staff, and economies of scale are reduced, leading to less efficient provision of services and increased difficulty in reducing staffing levels.

On January 25, 2023, the district's governing board approved a contract with Public Works LLC for an analysis of staffing in the Continuous School Improvement (CSI) Division and associated departments. The analysis was completed and presented to the district's governing board on August 23, 2023 and contained 46 recommendations. The district has not yet completed an analysis of the recommendations, nor have its staff made any recommendations for implementing corrective measures. During the presentation of the report to the board (Exhibit B), Public Works categorized the findings and recommendations into the common themes listed below:

1. Restructure its CSI Division.
2. Strong need to consolidate small schools to improve CSI services.
3. Lack of accountability.
4. Lack of collaboration among CSI departments and with network superintendents.
5. Lack of clear communication.
6. Better balance is needed between autonomous site-based management and central office non-negotiables that affect all schools.

The Public Works team recommended the following:

- The district superintendent and chief academic officer should create a recommendation implementation plan, including which recommendations will be implemented as is, which recommendations to modify and implement, and/or which recommendations should not be implemented, with a sound rationale for not doing so.

- The board should direct the superintendent to develop an implementation plan and to present that plan to the board within 90 days.
- On a monthly basis, a point person should collect information regarding the status of the recommendations from each of the appointed staff and assemble it into a report for the superintendent and/or board's review.
- At the end of six months or a year, the district should determine the overall rate of implementation and the associated fiscal effects (costs and savings).
- The board should review the implementation progress quarterly.

After the Public Works presentation, the district's board repeatedly stated that they would not close schools but would look at other recommendations in the report.

As noted above, the district has contracted with outside firms to recommend ways to better streamline operations, increase efficiency, and provide better services to students. The district should create and carry out measurable corrective actions based on these recommendations to address the deficiencies noted by the consultants. Other than completing the studies and presenting them to the board, the district has made little progress on this.

Status: Board presentations complete; board and staff response and implementation not complete.

2. Adoption and implementation of necessary budgetary solutions.

In 2021, the board approved the Fiscal Sustainability Plan, a revision to the Fiscal Vitality Plan. The previous plan included specific actions and measurable items; however, the new plan lists areas to be addressed and states that the measurable actions will be identified each May and approved annually by the board in June. A review of board agendas, minutes and, where available, video recordings to date found no evidence that the district has identified measurable actions approved by the board each June.

On March 9, 2023, the board approved Resolution 2223-0185A.2 - Classified Employees Reduction in Force Due to Lack of Funds and/or Lack of Work (2023/24 Fiscal Year). This resolution reduced staffing by 98.4 full-time equivalent positions. The board also approved Resolution 2223-0040A.2 - Reductions and Funding Shifts, to reduce expenditures by \$41.7 million for 2023-24.

On June 28, 2023, the board approved a settlement with the Oakland Education Association (OEA). In its disclosure of collective bargaining agreement, the district computed the cost of the agreement to be \$110.5 million through 2024-25 and stated, "the Board can only afford the Tentative Agreement if additional budget adjustments are made prior to the 2025-26 fiscal year."

The district states the following in the tentative agreement provided as part of its AB 1200 memo to the Alameda County Office of Education (Exhibit C):

It is imperative that the District and Governing Board review the significance of the historic and desired ongoing investment and the requirements for ongoing affordability. This AB1200 disclosure reflects the District will experience a deficit in the 2024-25 year with these additional costs included. Significant increases in ongoing revenue is [sic] not projected at this time, nor are there gains in average daily attendance to enhance the revenue projections. This will require the District

to make immediate decisions on how it will modify its spending to support these and other ongoing expenses. It is important to note that a key driver in the 2024-25 school year is a projected increase in Health and Welfare Benefits of twenty-five (25) percent.

The fourth year, 2025-26, is therefore significantly at risk without budget adjustments that must be framed by the Fall of 2023 in order to incorporate them into the 2024-25 and multi-year budget which will include 2025-26 and 2026-27. The Board's knowledge and assurance of taking these critical steps is imperative to ensure approval and confidence by the Alameda County Office of Education, County Trustee that the District will make the adjustments required. The Superintendent and Chief Business Officer are signing this document assuring and attesting that the ongoing commitment of affordability will be made.

The Alameda County Office of Education's review of the district's public disclosure of collective bargaining agreement states the following (Exhibit D):

The Public Disclosure includes \$60 million in ongoing budget solutions in 2023-24 (ongoing and therefore carried through 2024-25), with additional (new) planned reductions of approximately \$22 million in 2024-25. Per Resolution 2223-0040A of March 9, 2023, reductions and funding shifts, totaling \$41.7 million, were approved by the Board. This is significantly less than the \$110.5 million in projected budget solutions reflected in the Disclosure. Further, based on the District's recent information, not all revisions were implemented as proposed.

The same document further states:

In simple terms, the law asks the County Superintendent to answer the question, 'Can the district's budget cover the costs of this agreement today and over the next three years?' The simple answer is, 'Yes for 2023-24, Almost for 2024-25, and No for 2025-26.' The total cost of this agreement over three years is projected at \$110.5 million.

Status: Not complete.

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

On March 9, 2023, the board approved Resolution 2223-0185A - Classified Employees Reduction in Force Due to Lack of Funds and/or Lack of Work (2023/24 Fiscal Year).

According to the budget documents approved by the board on June 28, 2023, the positions were eliminated from their original funding program; however, they were shifted to other one-time funding sources.

As noted in item 2 above, the district has approved one collective bargaining agreement without the significant budget reductions needed to support the commitment made in the agreement. Further, as noted below, the district has not settled negotiations with at least four other labor partners. The potential costs of future collective bargaining agreements will further hinder the district's ability to produce fiscally solvent budgets as they will create a need for even more significant budget reductions.

Status: Not complete.

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

The district’s 2022-23 second interim report, approved by the district’s governing board on March 8, 2023, contained a qualified certification. The Alameda County Superintendent of Schools concurred with the district’s certification in its letter to the district dated May 3, 2023. As a result, the district was required to prepare and submit a third interim report to the county office. Third interim reports do not require a determination of positive, qualified, or negative; the governing board simply updates the county office regarding the district’s current fiscal position.

The March 8, 2023 qualified certification and subsequent concurrence remain in effect until a new certification is made at the next interim reporting period in December 2023.

Status: Not complete; the district’s fiscal status is qualified.

5. Sale or lease of surplus property.

The district continues to lease multiple surplus properties. The district has not sold any surplus property or declared any additional properties as surplus since EC 42162 became effective.

Status: Not applicable at this time.

6. Growth and maintenance of budgetary reserves.

The district has seen growth or maintenance of budgetary reserves every year since the 2017-18 fiscal year, including in the 2022-23 unaudited actuals presented to the board on September 13, 2023. Beginning with 2023-24 and each year through 2025-26, the district projects a decline in budgetary reserves.

Budget Reserves, 2017-18 through 2025-26

Year	Unrestricted	Restricted	Total
2017-18	\$17,974,960	\$38,612,894	\$56,587,855
2018-19	\$30,561,997	\$40,683,996	\$71,245,993
2019-20	\$33,043,818	\$34,526,380	\$67,570,198
2020-21	\$60,443,968	\$52,920,201	\$113,364,169
2021-22	\$92,624,874	\$67,517,001	\$160,141,876
2022-23	\$118,353,704	\$164,775,840	\$283,129,544
2023-24	\$116,650,407	\$93,591,743	\$210,242,150
2024-25	\$121,527,368	\$69,518,931	\$191,046,299
2025-26	\$112,469,989	\$48,980,339	\$161,450,328

Source: Audited actuals, except for 2022-23, which is based on unaudited actuals, and 2023-24 through 2025-26, which are based on the district’s 2023-24 adopted budget and MYP.

According to the district’s unaudited actuals presentation to the board on September 13, 2023, the 2022-23 ending balances include recording of the portion of the OEA agreement that is retroactive to the 2022-23 fiscal year.

Not shown in the above table is the effect of the OEA agreement costs approved by the governing board on June 28, 2023 on the 2023-24 adopted budget or subsequent years. Specifically, this will result in the need for a downward adjustment of approximately \$110.5

million over the life of the agreement through 2024-25. For additional details, please see the Deficit Analysis section below.

Although the district previously made progress in building reserves, with the recent approval of the agreement with OEA and any forthcoming agreements with other bargaining units, the district will instead spend down its reserve fund balances without identifying a fiscal stabilization plan to support these and other ongoing expenses. As the district noted in its public disclosure of collective bargaining agreement (Exhibit C), it meets its required minimum reserve for economic uncertainty in 2022-23 and 2023-24 but will not meet the minimum reserve requirement in 2024-25. Further, the district's disclosure notes that 2025-26 is "significantly at risk" because of the estimated continuing cost of the settlement without budget adjustments.

Status: Not complete.

7. Approval of school district budgets by the Alameda County Superintendent of Schools.

The district adopted its 2023-24 budget on June 28, 2023. Despite statutory requirements (EC 42127(h)), the district did not make available for public review any revisions in revenues and expenditures that it has made to its budget to show the funding made available by the enacted state budget. The district's governing board was to approve a revision of the district's 2023-24 budget with final state budget information as well as recently-settled collective bargaining agreements (see item 6) at its September 13, 2023 meeting. The board did not act on the revision, resulting in a conditional budget approval by the Alameda County Superintendent of Schools. In its letter dated September 15, 2023 (Exhibit E), the county superintendent requested the following from the district.

No later than September 27, 2023, at 9:00 pm, adopt by Board action, updates to the 2023-24 LCAP [Local Control and Accountability Plan] and Budget to ensure compliance with the law and previous commitments in the following areas:

1. LCAP Clarifying Questions: By September 27, 2023, OUSD must adopt, through Board action, the district's response to clarifying questions posed by the Alameda County Office of Education (ACOE) regarding the 2023-24 LCAP.
2. LCAP MPP: OUSD must approve an LCAP that reflects expenditure requirements for funds allocated based on the number and concentration of unduplicated students (known as the Minimum Proportionality Percentage or MPP) as required by Education Code Sections 42238.02 and 42238.03.
3. LCAP sufficient expenditures: The Board must adopt an LCAP reflecting sufficient expenditures to fully implement the specific actions within the LCAP, using the same budget assumptions and salary calculations as used in the budget to be adopted, including incorporating the impact of the new OEA agreement.
4. Budget and MYP: OUSD must approve revisions to the 2023-24 budget and multiyear budget projections (MYP) through 2025-26 that fully incorporate all components of the OEA Collective Bargaining Agreement (CBA), appropriately coded to salary and benefits. Any other known budgetary assumptions impacting OUSD's fiscal status should also be included.

No later than September 20, 2023, at 5:00 pm, Item #4 above must be provided to ACOE staff and OUSD’s Fiscal Oversight Trustee for review and confirmation prior to being presented to the Board for approval.

Status: Not complete.

8. Prompt appointment following a competitive process of a permanent, experienced, and highly qualified chief business official for any vacancy of chief business official.

No vacancy has existed since this provision was adopted in statute. The district’s superintendent had intended to eliminate the chief business official position “as it currently exists” at the end of the 2023-24 fiscal year; however, the position was extended for two years and is now set to be eliminated at the end of the 2025-26 fiscal year.

Status: Not applicable at this time.

FCMAT Analysis and Findings Regarding Activities in Addition to EC 42162(c): Deficit Analysis

FCMAT used the district-prepared 2023-24 original budget multiyear projection as the basis for the deficit analysis portion of this letter. FCMAT reviewed the district-prepared multiyear projection for reasonableness, entered estimates of revenue changes and the recent OEA settlement that were previously not included in the district-prepared multiyear projection, updated the ending balance for 2022-23 to match the unaudited actuals, and validated the assumptions as follows:

Assumptions	2023-24	2024-25	2025-26
Enrollment	33,683	33,258	32,832
ADA	30,047	29,663	29,289
Attendance Factor	89.21%	89.19%	89.21%
Unduplicated Percentage	79.26%	79.76%	80.08%
Statutory COLA	8.22%	3.94%	3.29%
Step and Column-Certificated	2.00%	2.00%	2.00%
Step Movement-Classified	2.00%	2.00%	2.00%
STRS Contribution Rate Increase*	0.00%	0.00%	0.00%
PERS Contribution Rate Increase*	1.31%	1.02%	0.60%
Mandatory Benefits – Certificated	5.03%	5.03%	5.03%
Mandatory Benefits – Classified	11.23%	11.23%	11.23%
Health Benefits	13.00%	25.00%	25.00%

* Year-over-year rate change

General Fund Multiyear Projections (Unrestricted and Restricted)

FCMAT used the district-prepared 2023-24 adopted budget as the basis for the deficit analysis portion of this letter. FCMAT modified the district’s multiyear projection (MYP) as follows:

- Updated the district’s LCFF calculation to include 2022-23 second interim reporting period (P-2) data as well as a correction to duplicated transitional kindergarten data. The assumptions in the table above were found to be reasonable but were updated as part of the inclusion of P-2 information.

- Included estimated revenue for the equity multiplier, based on 2021-22 stability rate data and 2021-22 P-2 apportionment data. Final funding will be based on 2022-23 stability rate data and 2022-23 P-2 apportionment data.
- Included Arts and Music in Schools Funding Guarantee and Accountability Act (Proposition 28/2022, as amended).
- Included remaining unrecorded revenue for the arts, music and instructional materials discretionary block grant, approximately 50% of allocation less reduced rate adjustment.
- Included a reduction for the learning recovery emergency block grant.
- Included district estimates for the settlement with OEA in 2022-23, 2023-24 and 2024-25. FCMAT estimated the ongoing cost of the settlement in 2025-26 for MYP purposes. All costs are modeled in salaries but include both salary and benefit costs.

The revenue adjustments described above do not materially improve or diminish the district’s fiscal standing. However, the OEA settlement amounts decrease the estimated ending fund balance as described in item 6 above.

FCMAT General Fund Multiyear Financial Projection (Unrestricted and Restricted)

	2022-23	2023-24	2024-25	2025-26
Revenues and Other Financing Sources				
LCFF Sources	464,182,315.00	489,627,658.00	491,595,981.00	496,381,379.00
TK Add-On Correction	-	(1,826,537.00)	(2,056,711.00)	(2,157,060.00)
2022-23 P-2 Data Update	-	(2,608,461.00)	(2,718,716.00)	(2,783,030.00)
Federal Revenue	118,465,167.00	109,836,611.00	56,414,000.00	58,033,869.00
Other State Revenues	210,744,327.00	122,422,819.00	143,807,337.00	147,501,333.00
LCFF Equity Multiplier	-	3,479,948.00	3,617,058.00	3,736,059.00
Arts and Music in Schools -Funding Guarantee and Accountability Act (Prop 28/2022, as amended)	-	5,817,570.00	5,817,570.00	5,817,570.00
Arts, Music, and Instructional Materials Discretionary Block Grant	-	9,112,025.00	-	-
Learning Recovery Emergency Block Grant	-	(7,785,114.00)	-	-
Other Local Revenues	88,078,760.00	87,096,328.00	86,891,845.00	86,949,353.00
Other Financing Sources				
Transfers In	-	-	-	-
Other Sources	404.00	-	-	-
Contributions	-	-	-	-
Total, Revenues	881,470,973.00	815,172,847.00	783,368,364.00	793,479,473.00
Expenditures				
Certificated Salaries	257,039,184.00	234,235,062.00	232,626,486.00	235,446,404.00
OEA Settlement	-	39,210,534.00	39,751,435.00	41,341,492.00
Classified Salaries	116,219,322.00	120,883,304.00	113,309,948.00	115,497,614.00
Employee Benefits	191,841,193.00	212,886,449.00	227,828,411.00	238,435,603.00
Books and Supplies	26,219,946.00	77,128,733.00	76,479,658.00	78,129,103.00
Services and Other Expenditures	143,055,046.00	146,081,769.00	135,714,952.00	139,007,621.00

	2022-23	2023-24	2024-25	2025-26
Capital Outlay	2,521,195.00	3,980,589.00	1,323,473.00	1,323,473.00
Other Outgo (excluding Transfers of Indirect Costs)	11,927,469.00	8,988,762.00	8,988,762.00	8,988,762.00
Other Outgo - Transfers of Indirect Costs	(879,012.00)	(1,366,676.00)	(1,366,676.00)	(1,366,676.00)
Other Financing Uses				
Transfers Out	5,900,000.00	3,000,000.00	3,000,000.00	3,000,000.00
Other Uses	-	-	-	-
Total, Expenditures	753,844,343.00	845,028,526.00	837,656,449.00	859,803,396.00
Net Increase (Decrease) in Fund Balance				
Net Increase (Decrease)	127,626,630.00	(29,855,679.00)	(54,288,085.00)	(66,323,923.00)
Fund Balance				
Beginning Fund Balance, as of July 1 (Unaudited)	160,141,875.00	283,129,544.00	253,273,865.00	198,985,780.00
Audit Adjustments/Other Restatements	(4,638,961.00)	-	-	-
Ending Fund Balance, as of June 30	283,129,544.00	253,273,865.00	198,985,780.00	132,661,857.00

The district has not yet settled with the following bargaining units beyond 2022-23, so no estimated expenditures for these future settlements are included in the projection:

- United Administrators of Oakland Schools
- Building and State Construction Trades Council
- Teamsters
- Management/confidential

Any settlements reached with these groups may have implications for the other bargaining units that have already settled (e.g., because of the expectation of “me too” provisions in negotiations). Further, all negotiations that are not settled have implications for the district’s projected expenditures and therefore also for its projected ending fund balances.

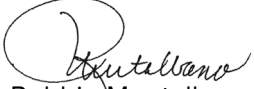
Conclusion

The district has made minor progress toward improving fiscal solvency by implementing the adjustments in Resolution 2223-0040A and completing the efficiency report on the Information and Technology Services Department and the Talent Division. However, its delayed development and communication of quality financial projections, as evidenced by the conditional approval of its budget and lack of 45-day budget revision, indicates that the district is making major financial decisions with limited and outdated financial information. As agreed upon by both district leaders and the county superintendent of schools, the district has entered into an agreement with one labor partner that will make the district unable to meet its projected financial obligations in the two subsequent fiscal years unless it implements further budget reductions. Agreements with other labor partners have not been reached but will likely further diminish the district’s fiscal standing in a similar manner without further budget reductions.

Essential to the district’s success will be identifying and implementing a comprehensive budget reduction plan that resolves the district’s structural deficit spending pattern. The governing board has not agreed on how to achieve this and has been unable to provide unified, timely guidance to district leaders for

implementation. The lack of a comprehensive stabilization plan has resulted in short-term spending adjustments, often made period by period, without regard to the larger context of the district's status or a goal of stabilization. This has reduced or eliminated the positive compounding effect that timely adjustments would provide and has hindered the district's ability to develop and provide timely, reliable financial information for major decision-making. Complete implementation of a fiscal stabilization plan to greatly reduce or eliminate the district's structural deficit is imperative.

Sincerely,



Robbie Montalbano, CFE
FCMAT Intervention Specialist

- C: Brooks Allen, Executive Director, California State Board of Education
- Chris Ferguson, Program Budget Manager, California Department of Finance
- Amber Alexander, Assistant Program Budget Manager, California Department of Finance
- Abel Guillen, Deputy Superintendent, California Department of Education
- Elizabeth Dearstyne, Director, School Fiscal Services Division, California Department of Education
- Yong Salas, Consultant, Senate Budget and Fiscal Review Sub-Committee #1 – Education
- Erin Gabel, Consultant, Assembly Budget Sub-Committee #2 – Education Finance
- Alysse Castro, Alameda County Superintendent of Schools
- Luz Cázares, County Trustee for Oakland Unified School District
- Kyla Johnson-Trammell, Superintendent, Oakland Unified School District

Exhibits

Exhibit A: School Services of California, Inc. Comparative Organizational Structure and Staffing Review

Exhibit B: Public Works LLC report on Continuous School Improvement Division Redesign Overview

Exhibit C: Tentative Agreement with the Oakland Education Association

Exhibit D: Alameda County Office of Education Review of Oakland USD Public Disclosure of Collective Bargaining Agreement

Exhibit E: Alameda County Office of Education September 15, 2023 Letter to Oakland USD regarding LCAP



June 27, 2023

Dr. Kyla Johnson-Trammell, Superintendent
Members of the Board of Education
Oakland Unified School District (OUSD)
1000 Broadway, Suite 680
Oakland, CA 94607

RE: Public Disclosure of Successor Collective Bargaining Agreement Between OUSD and the Oakland Education Association (OEA) effective November 1, 2022 - June 30, 2025.

Dear Superintendent and Members of the Board,

On June 14, 2023, ACOE received the Public Disclosure of Collective Bargaining Agreement (CBA) and Tentative Agreement (TA) regarding ongoing compensation increases between OUSD and OEA as required by Government Code (GC) Section 3547.5 and Assembly Bill (AB) 1200 (Statutes of 1991, Chapter 1213).

Statutory Landscape

The district will make disclosures and assurances:

- (a) Before entering into a collective bargaining agreement, the district will disclose the provisions of the agreement, including the costs that would be incurred for the current and subsequent fiscal years;
- (b) The superintendent of the school district and chief business official shall certify in writing that the costs incurred by the school district under the agreement can be met by the district during the term of the agreement and shall itemize any budget revision necessary to meet the costs of the agreement in each year of its term;
- (c) If a school district does not adopt all of the revisions to its budget needed in the current fiscal year to meet the costs of a collective bargaining agreement, the county superintendent of schools shall issue a qualified or negative certification for the district on the next interim report.

The County Superintendent will review and comment:

- (a) A school district that has a qualified or negative certification shall allow the county office of education at least 10 working days to review and comment on any proposed agreement;
- (b) The school district shall provide the county superintendent of schools with all information relevant to yield an understanding of the financial impact of that agreement;
- (c) The county superintendent of schools shall notify the school district, the county board of education, the district superintendent, the governing board of the school district, and each parent and teacher organization of the district within those 10 days if, in his or her opinion, the agreement reviewed pursuant to subdivision (a) would endanger the fiscal well-being of the school district.

In Short

In simple terms, the law asks the County Superintendent to answer the question, *‘Can the district’s budget cover the costs of this agreement today and over the next three years?’* The simple answer is, *‘Yes for 2023-24, Almost for 2024-25, and No for 2025-26.’* The total cost of this agreement over three years is projected at \$110.5 million. The board has already taken action on \$41.7 million leaving at least \$68.8 million in adjustments that the Board must act on. Districts are required to budget three years in advance, and standard practice is to make plans for adjustments before entering into agreements. It is possible to move forward, however ***in order to afford this agreement, the Board must make significant adjustments and tradeoffs in the coming months.***

Detailed Review and Commentary

At its June 28th board meeting, the District is planning to present the attached AB1200 Agenda cover memo disclosing the fiscal impact of the TA through fiscal year 2025-26, stating “the Board can only afford the Tentative Agreement if additional budget adjustments are made prior to the 2025-26 fiscal year.” ACOE concurs with these findings with a further point of clarity, that the fiscal impact in the public disclosure does not include the impact to any other bargaining units or to any other funds, and while OUSD staff presents reasonable projections, they appear somewhat lower than ACOE’s conservative projections.

Summary of Projected Cost per the Public Disclosure and Board Memo:

Cost over current budget (MYP)	Year 1 (2022-2023)	Year 2 (2023-24)	Year 3 (2024-25)	Cumulative cost over 3 years
One-time	\$15,711,099	-	-	\$15,711,099
On-going	\$15,805,162	\$39,210,534	\$39,751,435	\$94,767,131
Total	\$31,516,261	\$39,210,534	\$39,751,435	\$110,478,230

The Public Disclosure includes \$60 million in ongoing budget solutions in 2023-24 (ongoing and therefore carried through 2024-25), with additional (new) planned reductions of approximately \$22 million in 2024-25. Per Resolution 2223-0040A of March 9, 2023, reductions and funding shifts, totaling \$41.7 million, were approved by the Board. This is significantly less than the \$110.5 million in projected budget solutions reflected in the Disclosure. Further, based on the District’s recent information, not all revisions were implemented as proposed.

On June 26th, in compliance with GC 3547.5, ACOE’s Business Office received confirmation from the Superintendent of OUSD, Dr. Johnson-Trammell, and Chief Business Official, Lisa Grant-Dawson, certifying in writing that the costs incurred by the school district under the agreement can be met by the District during the term of the agreement. ACOE notes that this certification is entirely contingent upon the Board passing both the June 28th proposed budget resolution, fully implementing the March 9th adjustments, and following up with significant further adjustments following the timelines described below.

The District staff have provided the following guidance and timeline within the AB1200 memo to support the Board in upholding its fiduciary responsibility:

“The fourth year, 2025-26, is therefore significantly at risk without budget adjustments that must be framed by the Fall of 2023 in order to incorporate them into the 2024-25 and multi-year budget which will include 2025-26 and 2026-27. The Board’s knowledge and assurance of taking these critical steps is imperative to ensure approval and confidence by the Alameda County Office of Education, County Trustee that the District will make the adjustments required. The Superintendent and Chief Business Officer are signing this document assuring and attesting that the ongoing commitment of affordability will be made.”

Further, the OUSD Board is presented with Resolution 2223-0065 to Approve with its Adopted Budget that confirms the Board's commitment to implement additional reductions and/or adjustments, should revenues fail to meet existing obligations:

"WHEREAS, the 2023-24 Proposed Adopted Budget for the Oakland Unified School District is due to the County Superintendent of Schools on June 30, 2023 and the SACS Report attached shows that the District is solvent for the 2023-24 and 2024-25 school year and reflects a \$9M deficit in the 2025-26 year, which will require the District to address the deficit prior to the adoption of the 2024-25 Budget; and

WHEREAS, it should be acknowledged that the District is in a parallel review period of a pending Tentative Agreement for the Oakland Education Association which will, if approved by the Alameda County Office of Education, the County Trustee, and the Board increase the District's expenditures and will require budget balancing solutions to sustain the increases for the out years starting in the 2024-25 year; and

WHEREAS, if adopted by the Board, any additional expenditures or obligations that exceed the District's revenue projections will require the Board to take action in a timely and prudent manner on or before June 30, 2024 in order to remain solvent in Fiscal Year 2024-25 and two subsequent years;

NOW, THEREFORE BE IT RESOLVED AND ORDERED that the Board of Education hereby approves the District's Proposed Adopted Budget for Fiscal Year 2023-24."

The Alameda County Office of Education is committed to minimizing the discretionary use of oversight authority and maximizing the OUSD Board's full local control of fiscal decisions. By approving a TA before identifying where the funds will come from in future years, the OUSD Board is committing itself to developing, adopting, and implementing significant budget-balancing solutions in the fall of 2023. At its March 9th meeting, the Board passed budget-balancing solutions, totaling \$41.7 million, several of which have not yet been realized including committing to a planning year (2023-24) for the potential merger of schools following the guidelines set forth in AB 1912 which requires a district to conduct an equity impact analysis before approving the closure or consolidation of a school. Cuts are never easy - every single program, classroom, office, and role has passionate constituents who will experience change as loss. Hard decisions are best made with time and transparency. This is the window of opportunity to make those tradeoffs in the most thoughtful and equitable way.

In order for ACOE to verify that Board and District staff are implementing the budget adjustments the Board approved within the Public Disclosure documents, OUSD will:

- provide ACOE with a Board-approved detailed update on its list of Budget Adjustments by October 31, 2023;

- share additional updates in ACOE's bi-weekly call to monitor the staff and Board's progress with strategic planning;
- present a public update to be provided by First Interim, with further public disclosure and formal Board Action required no later than February 2024, to ensure the District meets its obligations in the subsequent fiscal year.

ACOE appreciates the hard work ahead as the District Board and staff demonstrate their commitment to ensuring the District can afford the impact of this settlement while providing a robust and sustainable educational program for its students. Without further Board action and successful implementation of budget-balancing solutions, OUSD is projected to be insolvent within three years.

As mentioned in our Second Interim Letter to the Board, it is important for the District to ensure all known budget assumptions, as well as the fiscal impact of these assumptions, be reflected in the District's financials prior to the approval of any tentative agreements. We appreciate OUSD working collaboratively with the ACOE Business Office in its disclosure of these agreements and forthcoming CBAs.

In community,



Alysse Castro
Alameda County Superintendent of Schools

cc: Lisa Grant-Dawson, Chief Business Official, Oakland USD
Tony Thurmond, State Superintendent of Public Instruction, CDE
Michael H. Fine, Fiscal Crisis and Management Assistance Team
Luz Cázares, Fiscal Oversight Trustee
Shirene Moreira, Chief of District Business & Advisory Services, ACOE
Joan Laursen, Director III, District Business & Advisory Services, ACOE
Members of the Alameda County Board of Education (ACBOE)

OUSD Fiscal Sustainability Plan

Progress Update & Looking Ahead

Presented by: Lisa Grant-Dawson, Chief Business Officer
Board of Education Meeting October 11, 2023



**OAKLAND UNIFIED
SCHOOL DISTRICT**

Community Schools, Thriving Students

Agenda

- Background
- Closing out the 2018-20 Fiscal Vitality Plan
- Update on 2021-24 Fiscal Sustainability Plan
- Next Steps

OUSD financial history since state receivership

District falls into state receivership

District accepts \$100 Million in loans and loses local control with the appointment of a State Administrator to make decisions instead of a school board

2008

District faces significant financial distress

From 2016-17 to 2017-18 District faces mid-year cuts and significant budgetary reductions to maintain minimum reserves.

2016-18

2018

District Adopts 2021-24 Fiscal Sustainability Plan

District adopts successor plan to FVP with 5 areas of focus

2021

2003

Local control returns

District released from state receivership, but State Trustee appointed with authority to veto actions that could jeopardize the District's financial stability

District adopts 2018-20 Fiscal Vitality Plan

In response to financial distress, District adopts 2018-2020 Fiscal Vitality Plan ("FVP") with 22 recommendations to improve financial stability and vitality of the District.

Closing out Fiscal Vitality Plan - Overview

- 2018-20 Fiscal Vitality Plan contained a mix of 22 one-time and ongoing recommendations designed to put OUSD on solid financial footing
- While the District has addressed 16 of the 22 recommendations, some are no longer relevant and some warrant ongoing monitoring.
- The table on the following slides provides a progress summary of the 2018-20 FVP as we continue to turn our focus to the 2021-24 Fiscal Sustainability Plan

Closing out Fiscal Vitality Plan - 1. Stability

Item	Description	Status	Next Steps
1.1	Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty	Complete	Continued monitoring
1.2	Institute adjustments to existing Central Office positions	Complete	Continued monitoring
1.3	Maximize the use of restricted revenue resources	Partially Complete	Continued monitoring
1.4	Evaluate Central Office-based contracts and books/supplies for possible freeze and capture of savings	Complete	Continued monitoring
1.5	Pursue capture of donated days and/or furlough	Complete	N/A
1.6	Adjust school per pupil allocations to capture savings	Complete	Continued monitoring
1.7	Institute closer monitoring of contributions to other programs, e.g. special education, nutrition, early childhood	Complete	Continued monitoring
1.8	Update and implement budget forecast and projection practices	Complete	Continued monitoring
1.9	Review and update cash flow monitoring practices	Complete	Continued monitoring
1.10	Institute immediate protocols to limit and review spending among Central Office and school sites	Complete	Continued monitoring

Closing out Fiscal Vitality Plan - 2. Recovery

Item	Description	Status	Next Steps
2.1	Plan for and adopt a balanced budget that avoids future deficit spending	Complete	Continued monitoring
2.2	Establish and conduct zero-based budgeting sessions with all Central Office practices	Complete	Continued monitoring
2.3	Research, engage and implement a Central Office reorganization	Partially Complete	Continued monitoring
2.4	Institute and conduct monthly central office and school site budget monitoring practices	Partially Complete	Continued monitoring
2.5	Review, update and implement effective position control practices	Partially Complete	Continued monitoring
2.6	Develop a process for pre-approval of extra time employee payments	Complete	Continued monitoring
2.7	Review and implement revised contract approval, processing and management procedures	Partially Complete	Continued monitoring
2.8	Complete transition to Escape technology system to manage finance and human resource (HR) information	Complete	Continued monitoring
2.9	Review and execute on shifts in expenses that maximize the use of restricted funds	Complete	Continued monitoring

Closing out Fiscal Vitality Plan - 3. Vitality

Item	Description	Status	Next Steps
3.1	Review and engage school district and school leaders to re-establish appropriate budget roles and responsibility	Partially Complete	Continued monitoring
3.2	Establish systems for the management and oversight of bargaining agreements	Complete	N/A
3.3	Consider and act on recommendations from the Blueprint for Quality Schools review	Complete	N/A

2021-24 Fiscal Sustainability Plan

- In 2021, the Fiscal Sustainability Plan (“FSP”) was adopted in recognition of improved financial conditions but a continuing need to improve financial & operational processes to solidify financial stability
- Five broad priority areas were identified in the FSP with specific tasks to developed over the life of the FSP:
 - Budget and Operational Practices
 - Budget Development and Stakeholder Engagement
 - School Quality and Enrollment
 - Use of Restricted Resources
 - Ability to Make Difficult Decisions

FSP Update - Budget & Operational Practices

Highlights

- Purchasing and procurement (incl. contract management)
- Position control
- Cash flow projections
- Student nutrition (incl. building an independent and viable food service system)
- Enrollment projections and staffing (incl. position funding and program management and audit requirements)
- Leave management (incl. accurate reporting and tracking)

FSP Update - Budget Development & Stakeholder Engagement

Highlights

- Embrace District's historical and cultural nuances as well as key areas of priority and direction
- Start earlier

FSP Update - School Quality and Enrollment

Highlights

- Enrollment is largest driver of revenue, which is factored by attendance.
- OUSD has not seen dramatic COVID-related enrollment decrease

FSP Update - Use of Restricted Resources

Highlights

- Reduce use of restricted, one-time resources to fund ongoing base programming
- Reduce ending fund balances in each restricted resource

FSP Update - Ability to Make Difficult Decisions

Highlights

- Ensure structurally balanced budgets in three year intervals.
- Work to ensure high quality schools that attract students and that # of schools and sizes of school are financially sustainable.
- Improve Cash Flow Balances
- Improve the Fund Balance trends

Next Steps - Recommendations 1 - 4

1. OUSD School Redesign Plan as it relates to how many schools and campuses the District operates and therefore must allocate funding to maintain.
2. Enrollment stabilization report and Outcomes as it relates to how many students the District will host in future years. The 2023-24 enrollment outcomes are most critical to plan for as it will establish our new foundation post pandemic. The District also invested \$1.5M additional resources for three years that will expire in 2023-24.
3. Completion of the remaining 6 areas of the Fiscal Vitality Plan.
4. Continued focus on the District's Financial Audit and the goal of the audit being "free of material weaknesses," free from any material internal control findings" and includes an unqualified opinion.

Next Steps - Recommendations 5 - 8

1. Implementation and adjustment of One Time Shifts in 2023-24 from the Districts Budget Reduction Plan, to ensure sustainability of resources captured to afford ongoing salary increases. This includes planned re-organizations of post reductions in various departments and ongoing tasks and responsibilities required for revised District operations are maintained or amended.
2. Re-imagining how the District will maintain its obligations to Deferred Maintenance and other capital asset investments that are not funded by Bond resources.
3. If the District Board approves proceeding with the Fiscal Systems Audit, initiate and complete the audit to allow the District to shift into a new space of opportunity in planned transition from Fiscal Oversight and long term debt by 2025-26.
4. Continue revising a strong implementation plan in the Finance and Operations Divisions specifically, to ensure growth and strong leadership as transitions occur, and the ability to support ongoing financial and operational goals to mitigate reverting back to fiscal receivership.

Next Steps

The District's strategies to address not only the quality of schools, number of schools, equity of programs, allocations or resources, have evolved, been modified, and some halted or recently rescinded since the development of the FVP and FSP.

It is currently recommended that efforts under the 2021-24 FSP be extended through 2023-26 and focus on the following 10 areas

1. Re-Design Plans
2. Enrollment Stabilization
3. Complete Remaining 6 Vitality Plan Areas
4. Securing an unqualified financial audit
5. Address One-Time Shifts from 2023-24 and Impact of One-Time Investments back into the General Fund

Next Steps

6. Address deficits in Deferred/Facility Maintenance Investments
7. Initiate and complete the Fiscal Systems Audit
8. Continue finance department implementation plan
9. Develop multi-year plan of how to adjust the District's size, programs, and initiatives including a review of the exponential growth in Special Education
10. Invest in competitive compensation for all employees.



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FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

September 29, 2023

Honorable Joe Stephenshaw, Director
California Department of Finance
1021 O Street, Suite 3110
Sacramento, CA 95814

Honorable Phil Ting, Chair
California State Assembly Committee on Budget
1021 O Street, Suite 8230
Sacramento, CA 95814

Honorable Nancy Skinner, Chair
California State Senate Committee on Budget and Fiscal Review
State Capitol, Room 502
Sacramento, CA 95814

Dear Director Stephenshaw, Chairperson Ting and Committee Members, and Chairperson Skinner and Committee Members:

This letter is submitted for your consideration in accordance with the Fiscal Crisis and Management Assistance Team's (FCMAT's) responsibilities under Assembly Bill (AB) 181 Section 36, which added Section 42162 to the Education Code (EC), regarding the Oakland Unified School District. EC 42162(d) states:

Funds described in subdivision (b) shall be allocated to Oakland Unified School District upon the certification of the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Alameda County Superintendent of Schools to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance that the activities described in subdivision (c) have been completed. Additionally, by October 1, 2023, the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Alameda County Superintendent of Schools, shall report to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance the progress that Oakland Unified School District has made to complete the activities described in subdivision (c).

The intent of this letter is to provide you with FCMAT's findings regarding the district's progress in completing the requirements outlined in EC 42162(c).

On March 31, 2023, FCMAT provided a letter in compliance with EC 42162, a copy of which is available at <https://www.fcmat.org/publicationsreports/alameda-coe-oakland-usd-ab-181-letter.pdf>. The district did not meet the requirements listed in EC 42162(a)(1)(2) or (3). As such, the district did not receive an additional apportionment of state funds to help it achieve fiscal solvency in 2023-24.

Furthermore, FCMAT and the Alameda County Superintendent of Schools provided joint recommendations for revisions to EC 42162(c), which were not included in any 2023-24 budget trailer bills. The analysis in this

letter is based on the original criteria in EC 42162(c), not the criteria recommended by FCMAT in its March 31, 2023 letter.

FCMAT Analysis and Findings Relative to Activities Defined in Education Code 42162(c)

1. Updated 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, with progress updates on each of the recommendations.

As reported in FCMAT's letter dated March 31, 2023, the district contracted with School Services of California, Inc. for a review of the organizational structure and staffing of its Finance Division, Information Technology Services Department, and Talent Division (Exhibit A).

The report's findings were presented to the board on December 15, 2021 and included 14 recommendations for the district to consider. Although numerous recommendations were made, the large number of schools relative to comparison districts was mentioned throughout the report as well as the related increased staffing needs, higher level of service required from the central office, and higher number of direct services provided to the schools by the central office. The large number of schools in the district requires more staff, and economies of scale are reduced, leading to less efficient provision of services and increased difficulty in reducing staffing levels.

On January 25, 2023, the district's governing board approved a contract with Public Works LLC for an analysis of staffing in the Continuous School Improvement (CSI) Division and associated departments. The analysis was completed and presented to the district's governing board on August 23, 2023 and contained 46 recommendations. The district has not yet completed an analysis of the recommendations, nor have its staff made any recommendations for implementing corrective measures. During the presentation of the report to the board (Exhibit B), Public Works categorized the findings and recommendations into the common themes listed below:

1. Restructure its CSI Division.
2. Strong need to consolidate small schools to improve CSI services.
3. Lack of accountability.
4. Lack of collaboration among CSI departments and with network superintendents.
5. Lack of clear communication.
6. Better balance is needed between autonomous site-based management and central office non-negotiables that affect all schools.

The Public Works team recommended the following:

- The district superintendent and chief academic officer should create a recommendation implementation plan, including which recommendations will be implemented as is, which recommendations to modify and implement, and/or which recommendations should not be implemented, with a sound rationale for not doing so.

- The board should direct the superintendent to develop an implementation plan and to present that plan to the board within 90 days.
- On a monthly basis, a point person should collect information regarding the status of the recommendations from each of the appointed staff and assemble it into a report for the superintendent and/or board's review.
- At the end of six months or a year, the district should determine the overall rate of implementation and the associated fiscal effects (costs and savings).
- The board should review the implementation progress quarterly.

After the Public Works presentation, the district's board repeatedly stated that they would not close schools but would look at other recommendations in the report.

As noted above, the district has contracted with outside firms to recommend ways to better streamline operations, increase efficiency, and provide better services to students. The district should create and carry out measurable corrective actions based on these recommendations to address the deficiencies noted by the consultants. Other than completing the studies and presenting them to the board, the district has made little progress on this.

Status: Board presentations complete; board and staff response and implementation not complete.

2. Adoption and implementation of necessary budgetary solutions.

In 2021, the board approved the Fiscal Sustainability Plan, a revision to the Fiscal Vitality Plan. The previous plan included specific actions and measurable items; however, the new plan lists areas to be addressed and states that the measurable actions will be identified each May and approved annually by the board in June. A review of board agendas, minutes and, where available, video recordings to date found no evidence that the district has identified measurable actions approved by the board each June.

On March 9, 2023, the board approved Resolution 2223-0185A.2 - Classified Employees Reduction in Force Due to Lack of Funds and/or Lack of Work (2023/24 Fiscal Year). This resolution reduced staffing by 98.4 full-time equivalent positions. The board also approved Resolution 2223-0040A.2 - Reductions and Funding Shifts, to reduce expenditures by \$41.7 million for 2023-24.

On June 28, 2023, the board approved a settlement with the Oakland Education Association (OEA). In its disclosure of collective bargaining agreement, the district computed the cost of the agreement to be \$110.5 million through 2024-25 and stated, "the Board can only afford the Tentative Agreement if additional budget adjustments are made prior to the 2025-26 fiscal year."

The district states the following in the tentative agreement provided as part of its AB 1200 memo to the Alameda County Office of Education (Exhibit C):

It is imperative that the District and Governing Board review the significance of the historic and desired ongoing investment and the requirements for ongoing affordability. This AB1200 disclosure reflects the District will experience a deficit in the 2024-25 year with these additional costs included. Significant increases in ongoing revenue is [sic] not projected at this time, nor are there gains in average daily attendance to enhance the revenue projections. This will require the District

to make immediate decisions on how it will modify its spending to support these and other ongoing expenses. It is important to note that a key driver in the 2024-25 school year is a projected increase in Health and Welfare Benefits of twenty-five (25) percent.

The fourth year, 2025-26, is therefore significantly at risk without budget adjustments that must be framed by the Fall of 2023 in order to incorporate them into the 2024-25 and multi-year budget which will include 2025-26 and 2026-27. The Board's knowledge and assurance of taking these critical steps is imperative to ensure approval and confidence by the Alameda County Office of Education, County Trustee that the District will make the adjustments required. The Superintendent and Chief Business Officer are signing this document assuring and attesting that the ongoing commitment of affordability will be made.

The Alameda County Office of Education's review of the district's public disclosure of collective bargaining agreement states the following (Exhibit D):

The Public Disclosure includes \$60 million in ongoing budget solutions in 2023-24 (ongoing and therefore carried through 2024-25), with additional (new) planned reductions of approximately \$22 million in 2024-25. Per Resolution 2223-0040A of March 9, 2023, reductions and funding shifts, totaling \$41.7 million, were approved by the Board. This is significantly less than the \$110.5 million in projected budget solutions reflected in the Disclosure. Further, based on the District's recent information, not all revisions were implemented as proposed.

The same document further states:

In simple terms, the law asks the County Superintendent to answer the question, 'Can the district's budget cover the costs of this agreement today and over the next three years?' The simple answer is, 'Yes for 2023-24, Almost for 2024-25, and No for 2025-26.' The total cost of this agreement over three years is projected at \$110.5 million.

Status: Not complete.

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

On March 9, 2023, the board approved Resolution 2223-0185A - Classified Employees Reduction in Force Due to Lack of Funds and/or Lack of Work (2023/24 Fiscal Year).

According to the budget documents approved by the board on June 28, 2023, the positions were eliminated from their original funding program; however, they were shifted to other one-time funding sources.

As noted in item 2 above, the district has approved one collective bargaining agreement without the significant budget reductions needed to support the commitment made in the agreement. Further, as noted below, the district has not settled negotiations with at least four other labor partners. The potential costs of future collective bargaining agreements will further hinder the district's ability to produce fiscally solvent budgets as they will create a need for even more significant budget reductions.

Status: Not complete.

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

The district’s 2022-23 second interim report, approved by the district’s governing board on March 8, 2023, contained a qualified certification. The Alameda County Superintendent of Schools concurred with the district’s certification in its letter to the district dated May 3, 2023. As a result, the district was required to prepare and submit a third interim report to the county office. Third interim reports do not require a determination of positive, qualified, or negative; the governing board simply updates the county office regarding the district’s current fiscal position.

The March 8, 2023 qualified certification and subsequent concurrence remain in effect until a new certification is made at the next interim reporting period in December 2023.

Status: Not complete; the district’s fiscal status is qualified.

5. Sale or lease of surplus property.

The district continues to lease multiple surplus properties. The district has not sold any surplus property or declared any additional properties as surplus since EC 42162 became effective.

Status: Not applicable at this time.

6. Growth and maintenance of budgetary reserves.

The district has seen growth or maintenance of budgetary reserves every year since the 2017-18 fiscal year, including in the 2022-23 unaudited actuals presented to the board on September 13, 2023. Beginning with 2023-24 and each year through 2025-26, the district projects a decline in budgetary reserves.

Budget Reserves, 2017-18 through 2025-26

Year	Unrestricted	Restricted	Total
2017-18	\$17,974,960	\$38,612,894	\$56,587,855
2018-19	\$30,561,997	\$40,683,996	\$71,245,993
2019-20	\$33,043,818	\$34,526,380	\$67,570,198
2020-21	\$60,443,968	\$52,920,201	\$113,364,169
2021-22	\$92,624,874	\$67,517,001	\$160,141,876
2022-23	\$118,353,704	\$164,775,840	\$283,129,544
2023-24	\$116,650,407	\$93,591,743	\$210,242,150
2024-25	\$121,527,368	\$69,518,931	\$191,046,299
2025-26	\$112,469,989	\$48,980,339	\$161,450,328

Source: Audited actuals, except for 2022-23, which is based on unaudited actuals, and 2023-24 through 2025-26, which are based on the district’s 2023-24 adopted budget and MYP.

According to the district’s unaudited actuals presentation to the board on September 13, 2023, the 2022-23 ending balances include recording of the portion of the OEA agreement that is retroactive to the 2022-23 fiscal year.

Not shown in the above table is the effect of the OEA agreement costs approved by the governing board on June 28, 2023 on the 2023-24 adopted budget or subsequent years. Specifically, this will result in the need for a downward adjustment of approximately \$110.5

million over the life of the agreement through 2024-25. For additional details, please see the Deficit Analysis section below.

Although the district previously made progress in building reserves, with the recent approval of the agreement with OEA and any forthcoming agreements with other bargaining units, the district will instead spend down its reserve fund balances without identifying a fiscal stabilization plan to support these and other ongoing expenses. As the district noted in its public disclosure of collective bargaining agreement (Exhibit C), it meets its required minimum reserve for economic uncertainty in 2022-23 and 2023-24 but will not meet the minimum reserve requirement in 2024-25. Further, the district's disclosure notes that 2025-26 is "significantly at risk" because of the estimated continuing cost of the settlement without budget adjustments.

Status: Not complete.

7. Approval of school district budgets by the Alameda County Superintendent of Schools.

The district adopted its 2023-24 budget on June 28, 2023. Despite statutory requirements (EC 42127(h)), the district did not make available for public review any revisions in revenues and expenditures that it has made to its budget to show the funding made available by the enacted state budget. The district's governing board was to approve a revision of the district's 2023-24 budget with final state budget information as well as recently-settled collective bargaining agreements (see item 6) at its September 13, 2023 meeting. The board did not act on the revision, resulting in a conditional budget approval by the Alameda County Superintendent of Schools. In its letter dated September 15, 2023 (Exhibit E), the county superintendent requested the following from the district.

No later than September 27, 2023, at 9:00 pm, adopt by Board action, updates to the 2023-24 LCAP [Local Control and Accountability Plan] and Budget to ensure compliance with the law and previous commitments in the following areas:

1. LCAP Clarifying Questions: By September 27, 2023, OUSD must adopt, through Board action, the district's response to clarifying questions posed by the Alameda County Office of Education (ACOE) regarding the 2023-24 LCAP.
2. LCAP MPP: OUSD must approve an LCAP that reflects expenditure requirements for funds allocated based on the number and concentration of unduplicated students (known as the Minimum Proportionality Percentage or MPP) as required by Education Code Sections 42238.02 and 42238.03.
3. LCAP sufficient expenditures: The Board must adopt an LCAP reflecting sufficient expenditures to fully implement the specific actions within the LCAP, using the same budget assumptions and salary calculations as used in the budget to be adopted, including incorporating the impact of the new OEA agreement.
4. Budget and MYP: OUSD must approve revisions to the 2023-24 budget and multiyear budget projections (MYP) through 2025-26 that fully incorporate all components of the OEA Collective Bargaining Agreement (CBA), appropriately coded to salary and benefits. Any other known budgetary assumptions impacting OUSD's fiscal status should also be included.

No later than September 20, 2023, at 5:00 pm, Item #4 above must be provided to ACOE staff and OUSD’s Fiscal Oversight Trustee for review and confirmation prior to being presented to the Board for approval.

Status: Not complete.

8. Prompt appointment following a competitive process of a permanent, experienced, and highly qualified chief business official for any vacancy of chief business official.

No vacancy has existed since this provision was adopted in statute. The district’s superintendent had intended to eliminate the chief business official position “as it currently exists” at the end of the 2023-24 fiscal year; however, the position was extended for two years and is now set to be eliminated at the end of the 2025-26 fiscal year.

Status: Not applicable at this time.

FCMAT Analysis and Findings Regarding Activities in Addition to EC 42162(c): Deficit Analysis

FCMAT used the district-prepared 2023-24 original budget multiyear projection as the basis for the deficit analysis portion of this letter. FCMAT reviewed the district-prepared multiyear projection for reasonableness, entered estimates of revenue changes and the recent OEA settlement that were previously not included in the district-prepared multiyear projection, updated the ending balance for 2022-23 to match the unaudited actuals, and validated the assumptions as follows:

Assumptions	2023-24	2024-25	2025-26
Enrollment	33,683	33,258	32,832
ADA	30,047	29,663	29,289
Attendance Factor	89.21%	89.19%	89.21%
Unduplicated Percentage	79.26%	79.76%	80.08%
Statutory COLA	8.22%	3.94%	3.29%
Step and Column-Certificated	2.00%	2.00%	2.00%
Step Movement-Classified	2.00%	2.00%	2.00%
STRS Contribution Rate Increase*	0.00%	0.00%	0.00%
PERS Contribution Rate Increase*	1.31%	1.02%	0.60%
Mandatory Benefits – Certificated	5.03%	5.03%	5.03%
Mandatory Benefits – Classified	11.23%	11.23%	11.23%
Health Benefits	13.00%	25.00%	25.00%

* Year-over-year rate change

General Fund Multiyear Projections (Unrestricted and Restricted)

FCMAT used the district-prepared 2023-24 adopted budget as the basis for the deficit analysis portion of this letter. FCMAT modified the district’s multiyear projection (MYP) as follows:

- Updated the district’s LCFF calculation to include 2022-23 second interim reporting period (P-2) data as well as a correction to duplicated transitional kindergarten data. The assumptions in the table above were found to be reasonable but were updated as part of the inclusion of P-2 information.

- Included estimated revenue for the equity multiplier, based on 2021-22 stability rate data and 2021-22 P-2 apportionment data. Final funding will be based on 2022-23 stability rate data and 2022-23 P-2 apportionment data.
- Included Arts and Music in Schools Funding Guarantee and Accountability Act (Proposition 28/2022, as amended).
- Included remaining unrecorded revenue for the arts, music and instructional materials discretionary block grant, approximately 50% of allocation less reduced rate adjustment.
- Included a reduction for the learning recovery emergency block grant.
- Included district estimates for the settlement with OEA in 2022-23, 2023-24 and 2024-25. FCMAT estimated the ongoing cost of the settlement in 2025-26 for MYP purposes. All costs are modeled in salaries but include both salary and benefit costs.

The revenue adjustments described above do not materially improve or diminish the district’s fiscal standing. However, the OEA settlement amounts decrease the estimated ending fund balance as described in item 6 above.

FCMAT General Fund Multiyear Financial Projection (Unrestricted and Restricted)

	2022-23	2023-24	2024-25	2025-26
Revenues and Other Financing Sources				
LCFF Sources	464,182,315.00	489,627,658.00	491,595,981.00	496,381,379.00
TK Add-On Correction	-	(1,826,537.00)	(2,056,711.00)	(2,157,060.00)
2022-23 P-2 Data Update	-	(2,608,461.00)	(2,718,716.00)	(2,783,030.00)
Federal Revenue	118,465,167.00	109,836,611.00	56,414,000.00	58,033,869.00
Other State Revenues	210,744,327.00	122,422,819.00	143,807,337.00	147,501,333.00
LCFF Equity Multiplier	-	3,479,948.00	3,617,058.00	3,736,059.00
Arts and Music in Schools -Funding Guarantee and Accountability Act (Prop 28/2022, as amended)	-	5,817,570.00	5,817,570.00	5,817,570.00
Arts, Music, and Instructional Materials Discretionary Block Grant	-	9,112,025.00	-	-
Learning Recovery Emergency Block Grant	-	(7,785,114.00)	-	-
Other Local Revenues	88,078,760.00	87,096,328.00	86,891,845.00	86,949,353.00
Other Financing Sources				
Transfers In	-	-	-	-
Other Sources	404.00	-	-	-
Contributions	-	-	-	-
Total, Revenues	881,470,973.00	815,172,847.00	783,368,364.00	793,479,473.00
Expenditures				
Certificated Salaries	257,039,184.00	234,235,062.00	232,626,486.00	235,446,404.00
OEA Settlement	-	39,210,534.00	39,751,435.00	41,341,492.00
Classified Salaries	116,219,322.00	120,883,304.00	113,309,948.00	115,497,614.00
Employee Benefits	191,841,193.00	212,886,449.00	227,828,411.00	238,435,603.00
Books and Supplies	26,219,946.00	77,128,733.00	76,479,658.00	78,129,103.00
Services and Other Expenditures	143,055,046.00	146,081,769.00	135,714,952.00	139,007,621.00

	2022-23	2023-24	2024-25	2025-26
Capital Outlay	2,521,195.00	3,980,589.00	1,323,473.00	1,323,473.00
Other Outgo (excluding Transfers of Indirect Costs)	11,927,469.00	8,988,762.00	8,988,762.00	8,988,762.00
Other Outgo - Transfers of Indirect Costs	(879,012.00)	(1,366,676.00)	(1,366,676.00)	(1,366,676.00)
Other Financing Uses				
Transfers Out	5,900,000.00	3,000,000.00	3,000,000.00	3,000,000.00
Other Uses	-	-	-	-
Total, Expenditures	753,844,343.00	845,028,526.00	837,656,449.00	859,803,396.00
Net Increase (Decrease) in Fund Balance				
Net Increase (Decrease)	127,626,630.00	(29,855,679.00)	(54,288,085.00)	(66,323,923.00)
Fund Balance				
Beginning Fund Balance, as of July 1 (Unaudited)	160,141,875.00	283,129,544.00	253,273,865.00	198,985,780.00
Audit Adjustments/Other Restatements	(4,638,961.00)	-	-	-
Ending Fund Balance, as of June 30	283,129,544.00	253,273,865.00	198,985,780.00	132,661,857.00

The district has not yet settled with the following bargaining units beyond 2022-23, so no estimated expenditures for these future settlements are included in the projection:

- United Administrators of Oakland Schools
- Building and State Construction Trades Council
- Teamsters
- Management/confidential

Any settlements reached with these groups may have implications for the other bargaining units that have already settled (e.g., because of the expectation of “me too” provisions in negotiations). Further, all negotiations that are not settled have implications for the district’s projected expenditures and therefore also for its projected ending fund balances.

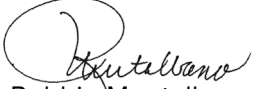
Conclusion

The district has made minor progress toward improving fiscal solvency by implementing the adjustments in Resolution 2223-0040A and completing the efficiency report on the Information and Technology Services Department and the Talent Division. However, its delayed development and communication of quality financial projections, as evidenced by the conditional approval of its budget and lack of 45-day budget revision, indicates that the district is making major financial decisions with limited and outdated financial information. As agreed upon by both district leaders and the county superintendent of schools, the district has entered into an agreement with one labor partner that will make the district unable to meet its projected financial obligations in the two subsequent fiscal years unless it implements further budget reductions. Agreements with other labor partners have not been reached but will likely further diminish the district’s fiscal standing in a similar manner without further budget reductions.

Essential to the district’s success will be identifying and implementing a comprehensive budget reduction plan that resolves the district’s structural deficit spending pattern. The governing board has not agreed on how to achieve this and has been unable to provide unified, timely guidance to district leaders for

implementation. The lack of a comprehensive stabilization plan has resulted in short-term spending adjustments, often made period by period, without regard to the larger context of the district's status or a goal of stabilization. This has reduced or eliminated the positive compounding effect that timely adjustments would provide and has hindered the district's ability to develop and provide timely, reliable financial information for major decision-making. Complete implementation of a fiscal stabilization plan to greatly reduce or eliminate the district's structural deficit is imperative.

Sincerely,



Robbie Montalbano, CFE
FCMAT Intervention Specialist

- C: Brooks Allen, Executive Director, California State Board of Education
Chris Ferguson, Program Budget Manager, California Department of Finance
Amber Alexander, Assistant Program Budget Manager, California Department of Finance
Abel Guillen, Deputy Superintendent, California Department of Education
Elizabeth Dearstyne, Director, School Fiscal Services Division, California Department of Education
Yong Salas, Consultant, Senate Budget and Fiscal Review Sub-Committee #1 – Education
Erin Gabel, Consultant, Assembly Budget Sub-Committee #2 – Education Finance
Alysse Castro, Alameda County Superintendent of Schools
Luz Cázares, County Trustee for Oakland Unified School District
Kyla Johnson-Trammell, Superintendent, Oakland Unified School District

Exhibits

Exhibit A: School Services of California, Inc. Comparative Organizational Structure and Staffing Review

Exhibit B: Public Works LLC report on Continuous School Improvement Division Redesign Overview

Exhibit C: Tentative Agreement with the Oakland Education Association

Exhibit D: Alameda County Office of Education Review of Oakland USD Public Disclosure of Collective Bargaining Agreement

Exhibit E: Alameda County Office of Education September 15, 2023 Letter to Oakland USD regarding LCAP