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Board Cover Memorandum

To Board of Education

From Kyla Johnson-Trammell, Superintendent
Sondra Aguilera, Chief Academic Officer
Lisa Grant Dawson, Chief Business Officer
Preston Thomas, Chief Systems and Services Officer
Joshua R. Daniels, Chief Governance Officer

Meeting Date January 25, 2023

Subject Staff Report on Resolution No. 2223-0036 - Rescission of School Consolidations for 2022-23

Ask of the Board Discussion, as desired, by the Board of Education of the Staff Report on Resolution No. 2223-0036 - Rescission of School Consolidations for 2022-23

Background 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January 11, 2023, the Board adopted Resolution No. 2223-0036 - Rescission of School Consolidations for 2022-23, which rescinded the school consolidations scheduled for the end of the 2022-23 school year.

Staff initially understood that Resolution No. 2223-0036 would be brought to a vote on January 25, 2023 and had been preparing a report on the impacts for that meeting. When the special meeting was called for January 11, 2023, there was not sufficient time (less than a day) to finalize the report. It is now being brought forward as indicated.

Discussion The Staff Report is divided into two main sections: Background and Impact Analysis. The Background Section chronicles the history and context that preceded adoption of the Rescission Resolution. It begins with the past efforts by the District, dating back to 2017, to achieve fiscal solvency. Next, it reviews key decisions and actions (by OUSD and others) related to school consolidations over the past five years up through the implementation of the Board's decision on February 8, 2022 to enact the latest set of school consolidations.

The Impact Analysis Section examines the effects of rescinding the schools consolidations planned for the end of this school year on the following key areas: Enrollment, Budget, School Improvement, Facilities and Maintenance, and Asset Management. In summary, the effects are:

Enrollment: Enrollment: The enrollment decline in OUSD will continue and may even accelerate. This corresponds to fewer classrooms as well as more under enrolled schools and underutilized facilities. Additionally, the District will need to create, at least initially, a special enrollment process for the Impacted Schools and grades 6-8 at Hillcrest and then reintegrate them into the main enrollment system. However, if there are problems with doing so, this could negatively impact the rate of acceptance of offers. District enrollment will also be negatively impacted by the loss of opportunity tickets for hundreds of students and neighborhood school boundary changes. Lastly, the number of under enrolled schools will increase and increasing their enrollment will become even more difficult.

Budget: The estimated ongoing staffing costs of the rescission is \$5.14 million. This is the floor for the ongoing cost impact as there are many other budgetary impacts that are not included in this number. Additionally, there will be an increase in the number of schools that are not self-sustaining, requiring greater subsidies from other schools just to operate a base program. Welcoming Schools will see a decline in their base teacher allocation and their allocation of unrestricted discretionary and supplemental funds. Lastly, there is the potential loss of the \$10 million under AB 1840.

School Improvement: The District's school improvement efforts will become more challenging. The Impacted Schools will need a significant investment as part of any improvement process and the program at other schools, particularly Welcoming Schools, may suffer.

Facilities and Maintenance: The District will not be able to reduce the cost of outstanding facilities' needs at its K-12 schools by the expected \$82.9 million. The District will also not see the expected reduction in routine and deferred maintenance costs. Lastly, planned critical facilities investments in the Welcoming Schools will not be able to be made unless other funds are identified.

Asset Management: The opportunity to utilize the to-be-available facilities will be lost and several outstanding space needs will remain. The District will also be more likely to be forced to make offers to charter schools under Proposition 39 that co-locate them with OUSD schools and these offers will likely consist of more classrooms than they would otherwise because the District's classroom-to-student ratio will be higher.

Fiscal Impact

There is no fiscal impact from this item. Please see the Staff Report for the fiscal impact of Resolution No. 2223-0036 - Rescission of School Consolidations for 2022-23

Attachment(s)

- Staff Report on Resolution No. 2223-0036 - Rescission of School Consolidations for 2022-23

STAFF REPORT

Resolution No. 2223-0036 - Rescission of School Consolidations for 2022-23

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I. EXECUTIVE SUMMARY

The Report analyzes the impact of Resolution No. 0036 - Rescission of School Consolidations for 2022-23 ("Rescission Resolution"), adopted by the Board of Education ("Board") at a special meeting on January 11, 2023. Initially, the Rescission Resolution was scheduled to be considered by the Board on January 25, 2023. District Staff had been preparing the Report with that release date in mind. When the special meeting was called for January 11, 2023, there was not sufficient time (less than a day) to finalize the Report. It is now being produced as originally intended.

The Report is divided into two main sections: Background and Impact Analysis. The Background Section chronicles the history and context that preceded adoption of the Rescission Resolution. It begins with the past efforts by the District, dating back to 2017, to achieve fiscal solvency. Next, it reviews key decisions and actions (by OUSD and others) related to school consolidations over the past five years up through the implementation of the Board's decision on February 8, 2022 to enact the latest set of school consolidations.

The Impact Analysis Section examines the effects of rescinding the school consolidations planned for the end of this school year on the following key areas: Enrollment, Budget, School Improvement, Facilities and Maintenance, and Asset Management. In summary, the effects are:

- Enrollment: The enrollment decline in OUSD will continue and may even accelerate. This corresponds to fewer classrooms as well as more under enrolled schools and underutilized facilities. Additionally, the District will need to create, at least initially, a special enrollment process for the Impacted Schools and grades 6-8 at Hillcrest and then reintegrate them into the main enrollment system. However, if there are problems with doing so, this could negatively impact the rate of acceptance of offers. District enrollment will also be negatively impacted by the loss of "Opportunity Tickets" for hundreds of students and neighborhood school boundary changes. Lastly, the number of under enrolled schools will increase and increasing their enrollment will become even more difficult.
- Budget: The estimated ongoing staffing costs of the rescission is \$5.14 million. This is the floor (or minimum) for the ongoing cost impact as there are many other budgetary impacts that are not included in this number. Additionally, there will be an increase in the number of schools that are not self-sustaining, requiring greater subsidies from other schools just to operate a base program. Welcoming Schools will see a decline in their base teacher allocation and their allocation of unrestricted discretionary and supplemental funds. Lastly, there is the potential loss of the \$10 million under AB 1840.
- School Improvement: The District's school improvement efforts will become more challenging. The Impacted Schools will need a significant investment as part of any improvement process and the program at other schools, particularly Welcoming Schools, may suffer.
- Facilities and Maintenance: The District will not be able to reduce the cost of outstanding facilities' needs at its K-12 schools by the expected \$82.9 million. The District will also not see the expected reduction in routine and deferred maintenance costs. Lastly, planned critical facilities investments in the Welcoming Schools will not be able to be made unless other funds are identified.

- Asset Management: The opportunity to utilize the to-be-available facilities will be lost and several outstanding space needs will remain. The District will also be more likely to be forced to make offers to charter schools under Proposition 39 that co-locate them with OUSD schools and these offers will likely consist of more classrooms than they would otherwise because the District's classroom-to-student ratio will be higher.

District Staff has made considerable effort to make the Report accessible to a wide range of audiences, including students, families, colleagues, community partners, supporters, and the general public. The hope is that the Report helps shed light on the tradeoffs and competing priorities—e.g., increase compensation, providing robust programs and services for every OUSD student, maintaining and improving facilities—in a situation where fiscal solvency is not optional. Determining how to resolve such tradeoffs and select between competing priorities is critical to the District's ability to move from a history of crisis towards a culture of stability and, then, towards quality for every student, family, and employee in OUSD.

II. BACKGROUND

A. History and Context

In 2017, the District was in significant financial distress. According to an analysis conducted at the time: “Of particular concern [was] deficit spending, substantial reductions in fund balance, inadequate reserve levels, approval of bargaining agreements beyond cost-of-living adjustments, large increases in contributions to restricted programs especially in special education, lack of oversight for position control that allows positions to be added before verification of funding and board approval, breakdown in leadership with excessive turnover, and the inability of the governing board to hold accountable administrators that have been allowed to overspend budgets and override board policy.”¹

The District’s response to its fiscal reality involved both short- and long-term components. First, the Board approved midyear budget reductions later in the 2017-18 school year; these cuts were painful but necessary to stave off additional county intervention and a possible second state takeover. After that, the District conducted a deep analysis of the District’s challenges and their root causes. That analysis identified “severe budget challenges, central office operational effectiveness needs, and a disproportionate facilities footprint to the size of our student population.”²

In response, the Board adopted two multiyear plans: the *Fiscal Vitality Plan* (“FVP”), which listed 23 “recommendations for action” to improve the District’s fiscal health, and the *Citywide Plan* (“CWP”), which established (in concert with the FVP) the District’s approach to “simultaneously make improvements in financial stability and key central office systems and functions to support high quality teaching and learning across the district.” One of the CWP’s key components was the Blueprint for Quality Schools (“Blueprint”), the purpose of which was to “identif[y] a fiscally sound number of schools given OUSD’s projected student population for 2023 [with] optimal locations for schools and where high quality options are needed.” As described in the CWP, the rationale for the Blueprint was as follows:

While we address our structural deficit, we must also continue to transform our schools as more Oakland families actively seek innovative school programs. If [families] don’t find the school options they are looking for within OUSD, they will vote with their feet and look outside of our district.

We all want well-resourced, high quality schools with innovative programs in every neighborhood. And, to create the necessary conditions in all of our schools, the following must be true:

- 1. All schools must have high quality teachers and principals, which means we need to compensate employees competitively on an ongoing basis to retain our best talent.*
- 2. All schools must be adequately staffed, so we can support teachers and leaders in creating a quality learning environment for students.*
- 3. All schools must have sufficient academic and enrichment resources and programs.*

To invest more in our schools so they are properly resourced and staffed and to reimagine our school programing options requires us to engage in the tough and painful work of both right-sizing our

¹ Fiscal Crisis and Management Assistance Team, August 15, 2017, “Oakland Unified School District: Fiscal Health Analysis,” p. 44 (available as Attachment A).

² Oakland Unified School District, Community of Schools Citywide Plan (“CWP”), p. 6 (available as Attachment B).

school district-getting to fewer schools, of a sustainable size, with more resources—WHILE reimagining the type of school programs we offer.

In other words, the District did not have sufficient resources to fully support all of its existing schools at the level that the District sought to fund them and that the schools needed in order to offer a high quality education. Therefore, in addition to addressing its structural deficit, the District sought to reduce the number of schools it operated so that the remaining schools could be “properly resourced and staffed.”

The Alameda County Office of Education (“County” or “ACOE”) and the State also got involved, offering support to the District and applying pressure on the District to keep it on track—in general, towards ensuring fiscal solvency and offering a high quality education and, more specifically, towards school consolidations. In addition to the County’s oversight role under AB 1200 (that monitors the fiscal health of the District) and the existence of the County Trustee, the County created the Intensive Support and Technical Assistance (“ISTA”) team to push into the District to support key initiatives identified in the FVP and the CWP. The County provided regular reports to the Board on the District’s progress with respect to those initiatives.

At the state level, the Legislature approved and the Governor signed Assembly Bill No. 1840 (“AB 1840”) in fall 2018. One of AB 1840’s many provisions was to offer one-time payments to the District (and to Inglewood USD) as an incentive to continue to make the difficult but necessary decisions to address the District’s long-term financial needs and to rightsize the District. Under AB 1840, the State would allocate three one-time appropriations to OUSD for 2019-20, 2020-21, and 2021-22 as long as OUSD met certain conditions established prior to each fiscal year. AB 1840 included a possible list of such conditions, including the “[a]doption and implementation of necessary budgetary solutions, including the consolidation of school sites,” which was later amended to read: “Affirmative board action to continue planning for, and timely implementation of, a school and facility closure and consolidation plan that supports the sale or lease of surplus property.”³ AB 1840 also directed the Fiscal Crisis and Management Assistance Team (“FCMAT”) to analyze the District’s progress and provide the State with an update twice a year on how well OUSD was progressing in general and with respect to the specific AB 1840 conditions. Under AB 1840, the District received allocations of \$514K for 2019-20, \$16M for 2020-21, and \$10M for 2021-22.

B. Prior School Consolidations (Cohorts 1 and 2)

Under the Plans, the school consolidations were to be done in numbered cohorts. In fall 2018 and spring 2019, the Board approved “Cohort 1,” which involved the following changes:

- Merger: The co-located Elmhurst Community Prep and Alliance Academy were merged into one larger school, Elmhurst United Middle School.
- Merger: The co-located Futures Elementary and Community United Elementary were merged into one larger school, Lockwood STEAM Academy.
- Closure: Roots International Academy was closed and the rising sixth and seventh graders were transferred to higher performing schools.
- Expansion: Coliseum College Prep Academy (“CCPA”) doubled the size of its incoming 6th grade class.
- Expansion: MetWest High School was expanded to include a freshman class that doubled in size.

³ This condition, which required the District to continue consolidating schools, was included for 2019-20 and 2021-22. This condition was initially included for 2020-21 but then taken out at the last minute.

While the full impact of Cohort 1 will take years to realize, the District has seen a number of positive impacts. Some highlights include:

- CCPA: Enrollment has increased steadily from 486 students in 2018-19 to 701 students in 2022-23; 8.6% of incoming 6th graders were African American in 2018-19 as compared with 13.1% in 2021-22.⁴
- Elmhurst United: Combined enrollment at Elmhurst and Alliance was 659 in 2018-19; this year (2022-23), there are 767 students enrolled; the merged school was able to offer elective courses (e.g., Spanish, music, advanced math) and extensive reading intervention program that the separate schools were not able to offer.

Then in fall 2019, the Board approved “Cohort 2,” which involved the following changes:

- Merger: Kaiser and Sankofa were merged on the Sankofa campus as Sankofa United.
- Merger: Oakland School of Language and Frick Impact Academy were merged on the Frick campus as Frick United Academy of Language.
- Expansion: Melrose Leadership Academy (“MLA”) was expanded to two separate campuses.
- Redesign: Fruitvale Elementary was to be redesigned to expand the student body and improve academics.

Due to the COVID-19 Pandemic, the full impact of Cohort 2 will take even longer to realize than the impacts of Cohort 1. However, the District has still seen a number of positive impacts. Some highlights include:

- MLA: Enrollment has increased each year, from 538 students in 2018-19 to 657 students in 2022-23.
- Sankofa United: Demand rate,⁵ which was 3.2% in 19-20 at Sankofa, jumped to 70.6% in 22-23; 194 students enrolled in 2020-21 (the first year of the merger) compared with 271 students enrolled in 2022-23; the merged school was able to expand arts programming to include dance and visual art instruction.

In addition to Cohorts 1 and 2, Roses in Concrete—a charter school—was merged with Howard Elementary to become the Oakland Academy of Knowledge (“OAK”) starting in fall 2020. In the year before the merger (2019-20), Howard’s enrollment was 177; this year, OAK’s enrollment is 279. As a result of the merger and the associated increase in enrollment, OAK has also been able to add or strengthen social-emotional supports, family engagement practices, and ethnic studies.

C. Cohort 3/February 2022 Consolidations

By March 2020, work had begun on Cohort 3 and some schools were even notified that they were going to be recommended for consolidation. However, the COVID-19 Pandemic began that month and all consolidation work was halted. In order to keep that consolidation work moving forward despite the Pandemic, the Board adopted Resolution No. 2021-0128 (Advancing District’s Citywide Plan Work)⁶ in December 2020, which directed the Superintendent to continue with school consolidations.

⁴ To further support CCPA, the Board approved an enrollment pilot program that prioritizes students from Futures Elementary (now Lockwood STEAM) and local HUD housing for enrollment at CCPA.

⁵ The demand rate is defined as the number of Kindergarten students enrolled at the school who ranked the school as their first choice divided by the number of all Kindergarten students enrolled at the school.

⁶ All resolutions referenced in this Analysis may be found at <https://ousd.legistar.com/Calendar.aspx>.

In early 2021, another resolution was proposed, Resolution No. 2021-0037 (Reparations for Black Students), that would have exempted “Historically Black Schools” from future consolidations or from “displacement . . . by charter school co-locations.” However, the County Trustee threatened to exercise his statutory authority to stay and rescind the resolution “until the language limiting, preventing, or delaying the Board’s ability to act on school mergers, consolidations, or closures is removed.” The Board acquiesced and approved a revised version of the resolution without that language.

Under Resolution No. 2021-0128 (Advancing District’s Citywide Plan Work), the Board was required to vote on additional consolidations by September 2021.⁷ However, the Resolution also provided that “[s]hould the Board vote against a proposed merger or closure, the Board must approve a resolution (by October 2021) identifying reductions in ongoing General Fund expenditures for 2022-23 that amount to at least the estimated ongoing net savings from that merger or closure.” In October, 2021, the Board chose the latter option—i.e., rather than adopt additional school consolidations, the Board made \$6M in programmatic reductions.⁸

The next month (November 2021) the County sent a letter to OUSD, entitled “RE: 2021-22 Adopted Budget - Approval with Lack of Going Concern Determination,” that was highly critical of the District. In particular, it found that “OUSD may not meet its financial obligations for the current and subsequent fiscal years,” and designated OUSD as a Lack of Going Concern. In doing so, the County noted that “[b]ased on the Board’s lack of progress in Advancing the District’s Citywide Plan work, the District appears ineligible for the next AB1840 disbursement.” The Board voted to appeal this designation to the State Superintendent of Public Instruction (“SPI”) but the SPI denied the appeal, also noting the “[l]ack of progress in implementing the District’s Citywide Plan and foregoing the AB1840 allocation of \$10 million that the District would otherwise have received.”

In December 2021, a new resolution, Resolution No. 2122-0026 (Quality Instruction and Student Supports, Adequate Staffing, Competitive Compensation, and Long-Term Fiscal Stability), was introduced that would restart efforts to move forward with school consolidations, noting that “other districts with a similar enrollment have significantly fewer schools . . . and other districts with a similar number of schools have significantly higher enrollment.” That resolution—the final version of which was adopted in early January 2022—“direct[ed] the Superintendent to present the Board - at the soonest reasonable opportunity (if needed, at one or more Special Board meetings called for this purpose) . . . - a list of the school consolidations (i.e., closures or mergers) that can be reasonably implemented by Fall 2022 and/or Fall 2023.”

Pursuant to that resolution, the Superintendent brought forward a list of possible school consolidations in late January 2022.⁹ The Board pared down the list, which was ultimately adopted on February 8, 2022 as Resolution No. 2122-0030 - School Consolidations for 2022-23 and 2023-24 (“School Consolidation Resolution”). Under that resolution, the following consolidations were approved:

⁷ The Board amended the timeline to September 2021 date; originally it was June 2021.

⁸ Around this time, the Board also adopted a resolution that stated its intent to make reductions of at least \$40M. The Board ultimately would adopt ongoing reductions of approximately \$32M.

⁹ To see the full list of possible school consolidations, please see the original resolution from February 8, 2022, available at <https://ousd.legistar.com/LegislationDetail.aspx?ID=5399120&GUID=4B4E68C0-F8F3-4276-A10E-FB32F71B35C6&Options=&Search=>.

At the end of 2021-22:

- Close Community Day School
- Close Parker
- Merge RISE Community Elementary into New Highland Academy Elementary
- Truncate grades 6-8 at La Escuelita

At the end of 2022-23:

- Close Brookfield Elementary
- Close Carl B. Munck Elementary
- Close Grass Valley Elementary
- Close Fred T. Korematsu Discovery Academy Elementary
- Close Horace Mann Elementary
- Truncate grades 6-8 at Hillcrest

The five schools scheduled to be closed at the end of 2022-23 shall be referred to as the “Impacted Schools.”

The School Consolidation Resolution also identified a number of Welcoming Schools, nearby schools identified to receive a one-time investment of funds to enable them to welcome students impacted by closure or the loss of grades, with the goal of growing enrollment at each Welcoming School to a sustainable level. Additionally, the students in the non-transitioning grades at the Impacted Schools and in grades 6-7 at Hillcrest were given the “Opportunity Ticket.” The Opportunity Ticket elevates a student’s enrollment priority above neighborhood residents (and behind only foster youth and siblings), giving the student a high likelihood of transfers to the school of their choice (even if it was not a Welcoming School).

In March 2022, the Board President, at the behest of the Board, sent a letter to the County highlighting the “difficult but financially impactful decisions” it had recently made, particularly its February 8, 2022 vote to consolidate schools. The letter asked that the County Superintendent withdraw the Lack of Going Concern designation. On March 31, 2022, the County Superintendent agreed to remove the Lack of Going Concern designation.

D. Implementation (To Date) of Latest School Consolidations

As directed by the School Consolidation Resolution, the District completed the closures of Parker and Community Day School, the merger of RISE Community Elementary into New Highland Academy Elementary, and the grade truncations at La Escuelita. District Staff invested a significant amount of time and resources to support the impacted students, employees, and communities:

- To support the families, District Staff reached out multiple times to each Parker and La Escuelita family. The purpose was to explain the consolidation process, help each family select a new school for their child via the help of the Opportunity Ticket, and determine whether they would need transportation assistance to attend their new school. Families were then contacted (multiple times if necessary) by Welcoming School staff and invited to participate in any number of activities (e.g., tours, 1:1s with school leadership, parent/guardian meet-and-greets, and welcome BBQs).
- To support the employees, District Staff contacted every employee to explain the transfer process. No employees were involuntarily laid off as a result of the consolidations. Additionally,

District Staff coordinated moving teachers' items to their new schools and cleaning out the vacated school buildings.

- To support the merger at RISE/New Highland, District Staff supported a collaborative redesign process, including the selection of a new name ("Highland Community School").

Additionally, District Staff invested heavily in making the Welcoming Schools an even more attractive place for families.¹⁰ This involved upgrades to the facilities (e.g., new marquees, new playground equipment) as well as more intensive programmatic support (e.g., additional staff, new elective offerings, and targeted professional development).

As discussed in more detail throughout the Analysis, District Staff had initiated or planned to initiate a similar process to support the families and staff at the Impacted Schools, at Hillcrest, and the associated Welcoming Schools. With the passage of the Rescission Resolution, these efforts have ceased; and, as directed by that resolution, have been redirected to support the Impacted Schools.

E. Summary of Consolidations

Notwithstanding the Rescission Resolution, the District has made significant progress at reducing the number of active TK-12 schools that it operates. Table 1 summarizes the changes over the past five years with and without the Rescission Resolution.¹¹

Table 1. Summary of School Consolidations since 2018-19

	<u>(T)K-5</u>	<u>(T)K-8</u>	<u>6-8</u>	<u>6-12</u>	<u>9-12</u>	<u>Other</u>	<u>Total</u>
2018-19	48	5	14	3	13	2	85
2019-20	48	5	12 (-2)	3	13	2	83 (-2)
2020-21	47 (-1)	5	11 (-1)	3	13	2	81 (-2)
2021-22	46 (-1)	5	11	3	13	2	80 (-1)
2022-23	46*	3 (-2)*	11	3	13	1 (-1)	77 (-3)
2023-24 (under Rescission Resolution)	46	3	11	3	13	1	77
2023-24 (planned prior to Rescission Resolution)	42 (-4)**	2 (-1)**	11	3	13	1	72 (-5)

* One K-5 was closed, one K-8 was closed, and a K-8 became a K-5.

** Five K-5s would have been closed and one K-8 would have become a K-5.

Any future consolidations may be subject to the requirements of Assembly Bill No. 1912, which was passed in fall 2022. AB 1912 requires, among other things, the District to conduct an equity impact analysis prior to approving any consolidation.

¹⁰ The theory of action behind such investments was described in a presentation to the Board on June 23, 2021, particularly slides 5 and 6. The presentation is available at <https://ousd.legistar.com/LegislationDetail.aspx?ID=5190874&GUID=06AA3CF6-4E47-4CB3-829F-C775BAFA4675&Options=&Search=>.

¹¹ The number of charter schools authorized by OUSD during this time has also declined: from 34 in 2018-19 to 28 projected for 2023-24.

III. IMPACT ANALYSIS

As noted above, the analysis examines the impact of the Rescission Resolution on the following key areas: Enrollment, Budget, School Improvement, Facilities and Maintenance, and Asset Management.

A. Enrollment

The Rescission Resolution is unlikely to reverse the enrollment decline in OUSD and may accelerate the rate of decline. Enrollment in OUSD has been trending downward for years and there is no reason to expect that the downward trend to change directions in the foreseeable future. This corresponds to fewer classrooms as well as more under enrolled schools and underutilized facilities. Additionally, the District cannot immediately incorporate the Impacted Schools and grades 6-8 at Hillcrest into the enrollment system. Therefore, the District will need to create, at least initially, a special enrollment process for the Impacted Schools and grades 6-8 at Hillcrest and then reintegrate them into the main enrollment system. However, there may be problems with doing so, leading to delays that could negatively impact the rate of acceptance of offers. District enrollment will also be negatively impacted by the loss of opportunity tickets for hundreds of students and neighborhood school boundary changes. Lastly, the number of under enrolled schools will increase and increasing their enrollment will become even more difficult.

i. Enrollment Trends

Due to declining birth rates nationally and in California, schools throughout the State have experienced declining enrollment over the past 5 years. In 2021-22 alone, an estimated 110,000 students left the State.¹² This decline is seen in OUSD's own data. Table 2A shows total OUSD enrollment, by grade span, from 2018-19 through 2022-23 as well as the projected enrollment for next year (2023-24). Table 2B shows the same data but highlights the annual decline in enrollment each year compared to 2018-19. As can be seen, OUSD has been experiencing enrollment declines over the past five years across all three grade spans and those declines are projected to continue into next year. Compared with 2018-19, OUSD's enrollment for 2023-24 is projected to have declined by 10.7% for TK-5, 5.2% for grades 6-8, and 3.1% for grades 9-12. Given that TK-5 enrollment is a predictor of future 6-8 and 9-12 enrollment, this foreshadows serious future enrollment challenges for the District.

However, the reality of the TK-5 numbers are obscured by the expansion of Transitional Kindergarten, which temporarily has slowed the TK-5 enrollment decline. To see that trend more clearly, it is most helpful to look at Kindergarten enrollment only as that is a leading indicator of overall enrollment health for a school and the need for classrooms across the District. Table 3A shows Kindergarten enrollment for the same years; Table 3B, like Table 2B, shows the same data but highlights the annual decline in enrollment each year compared to 2018-19. The projected percentage decline in Kindergarten over this time period is 15.6%, the highest of any grade level. The number of eligible Kindergarteners residing within OUSD has experienced a similar decline.

¹² LA Times: California public school enrollment spirals, dropping by 110,000 students this year (4/11/22), www.latimes.com/california/story/2022-04-11/california-school-enrollment-drops-by-more-110-000-students.

Table 2A. OUSD Grade Span Enrollment: 2018-19 through 2022-23 & 2023-24 (Proj.)

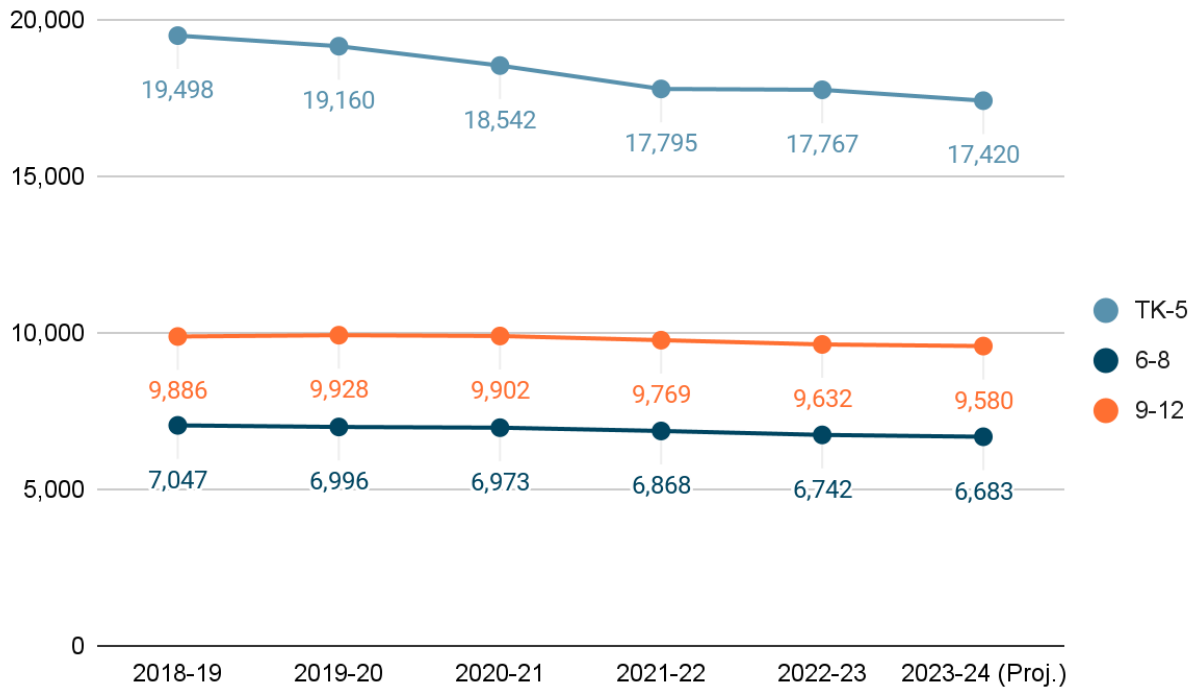


Table 2B. OUSD Grade Span Enrollment Decline Compared with 2018-19 Enrollment

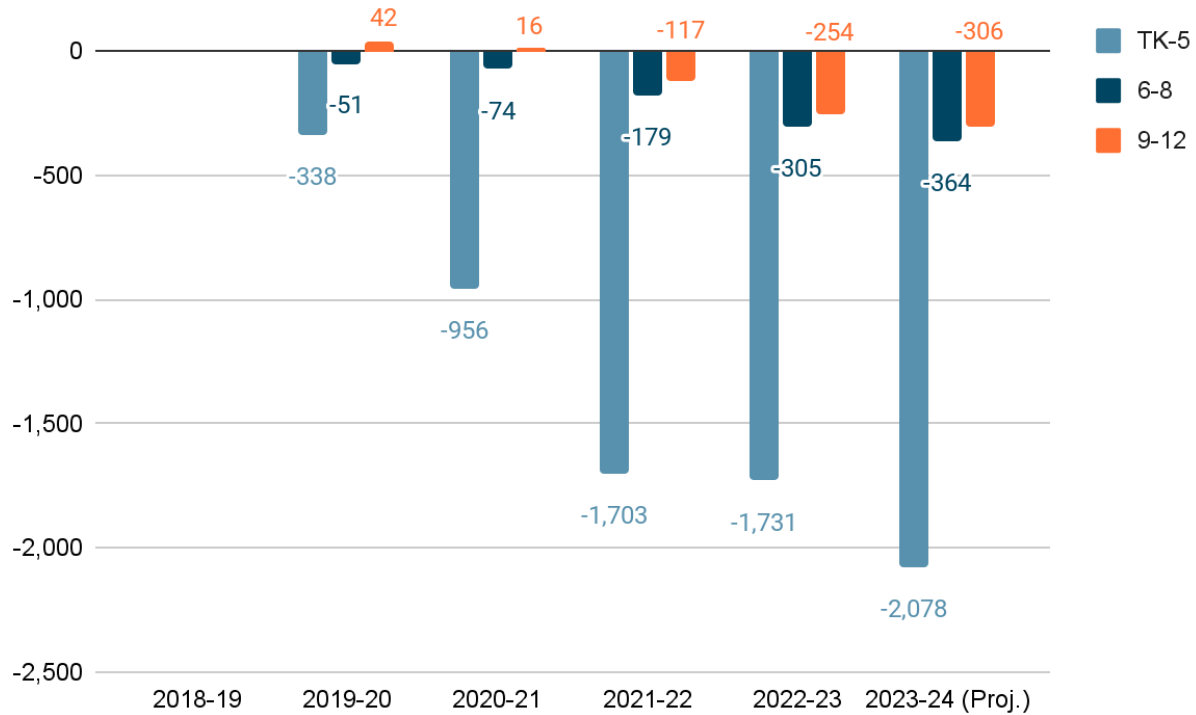


Table 3A. OUSD Kindergarten Enrollment: 2018-19 through 2022-23 & 2023-24 (Proj.)

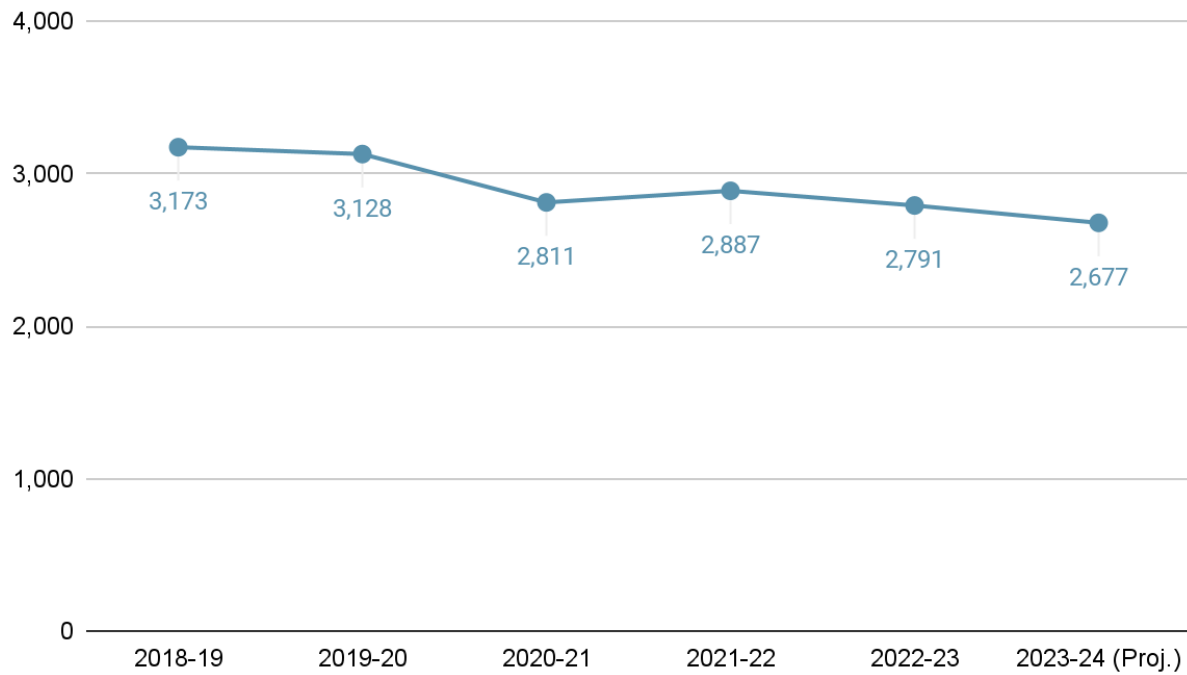
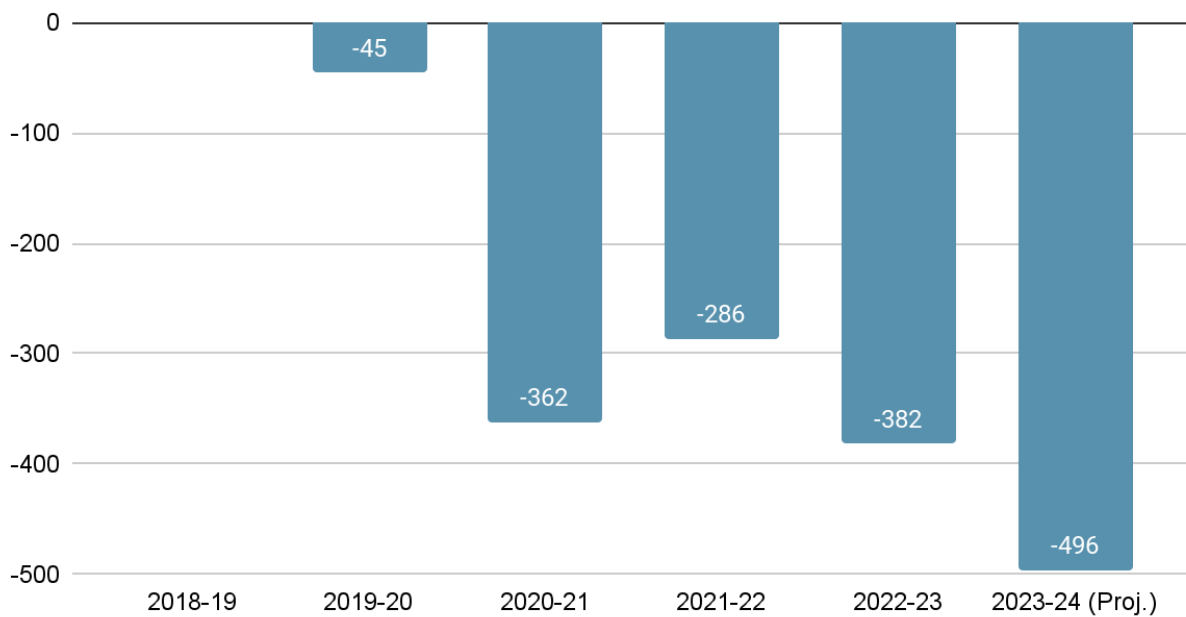


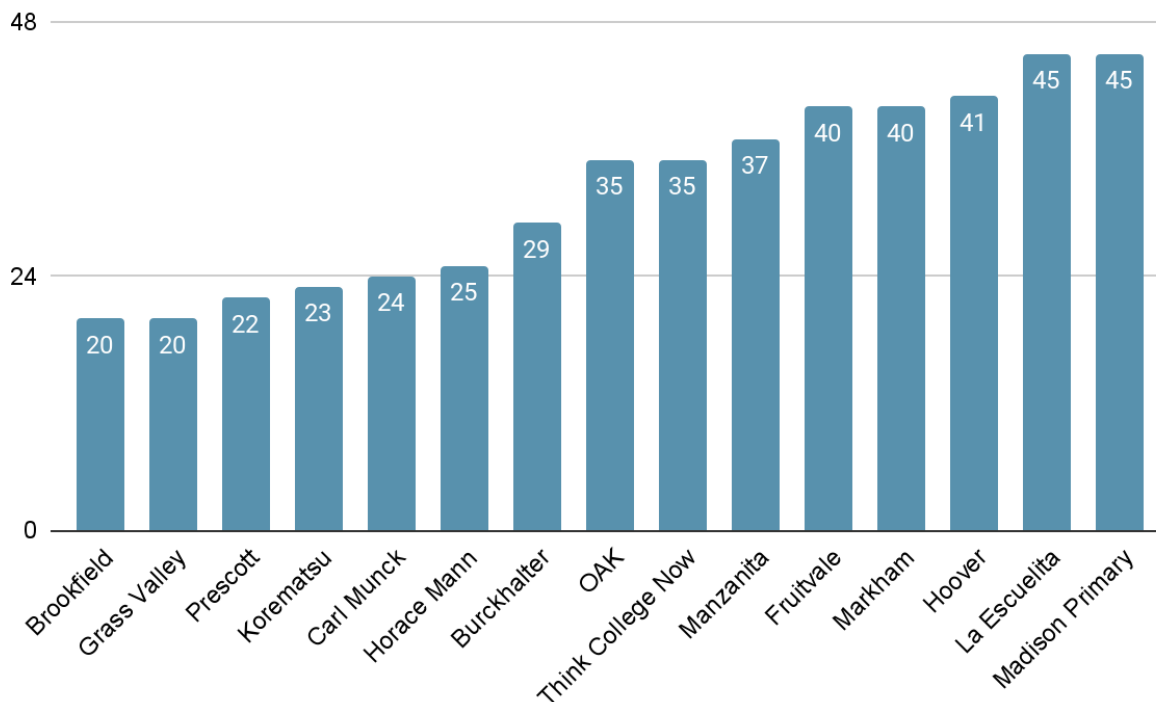
Table 3B. OUSD Kindergarten Enrollment Decline Compared with 2018-19



The District has been aware of these trends and has attempted to reverse them. For instance, in April 2021, the Board adopted its Enrollment Stabilization Policy, which increased staffing, funding, and planning to first stabilize—and then grow—enrollment. Unfortunately, the downward trend has continued; and given the larger demographic shifts in Oakland, declining birth rates, and the lack of affordable housing, there is no reason to expect that the downward trend to change directions in the foreseeable future.

Ideally, elementary and K-8 schools would have at least three full kindergartens to create a healthy, stable school structure. Anything less than two full Kindergarten classes is unsustainable, fails to generate sufficient resources to fund the necessary classroom and non-classroom-based staff, and creates unused classrooms at the school. For Kindergarten, the class size limit set by statute and contract in OUSD is 23 or 24 students¹³; this translates to a minimum Kindergarten enrollment threshold of 48. As shown in Table 4, there are 15 schools in OUSD¹⁴ with kindergarten sections that are currently under this threshold. In fact, some of these schools are not even able to fill one Kindergarten class.

Table 4. OUSD Schools with Kindergarten Enrollment below 48 in 2022-23



ii. Enrollment Operations

With the adoption of the Rescission Resolution, the District's enrollment process will be impacted in the following key ways:

- Special Enrollment Process: The 2023-24 enrollment cycle is the first year under OUSD's contract with EnrollWise. The new system began development last summer and fall based on

¹³ Under the collective bargaining agreement with the Oakland Educators' Association ("OEA"), the class size limit is reduced from 24 to 23 depending on the unduplicated pupil percentage at a school.

¹⁴ Sojourner Truth and Burbank are not included.

the School Consolidations Resolution—i.e., the Impacted Schools and grades 6-8 Hillcrest would not be options for 2023-24. With the passage of the Rescission Resolution, EnrollWise will need to redesign the enrollment system to add in the Impacted Schools and grades 6-8 at Hillcrest. However, this requires defining and then reprogramming attendance boundaries for all elementary and middle schools, reprogramming the assignment algorithm, removing the Opportunity Ticket from prioritization, and troubleshooting the new system. This is likely to take weeks, which would significantly delay the enrollment timeline and push back the date on which families are notified of their OUSD school assignment by at least four weeks. Such a delay would have a disastrous effect on enrollment throughout the District, but particularly at higher-demand schools. Therefore, in order to keep the existing enrollment timelines for all schools, including the Impacted Schools and grades 6-8 at Hillcrest, the District will need to create a temporary enrollment system outside the larger enrollment system in order to timely enroll families in the Impacted Schools and grades 6-8 at Hillcrest. Under this approach, this special enrollment process may exist throughout the first enrollment (and notification) window.

- Loss of Opportunity Ticket: Under Board Policy 5116.1, students in non-transitioning grades (e.g., K-4 at a K-5 school) at a school that is closed or merged or grades that are truncated are given an Opportunity Ticket. As described previously, the Opportunity Ticket gives the student enrollment priority over all other students except for siblings. As a result, students with Opportunity Tickets almost always get their first choice of schools. Currently, there are 751 students enrolled in the non-transitioning grades at the five elementary schools to be closed and in grades 6-7 at Hillcrest. Under the School Consolidation Resolution, all of these students were provided with the Opportunity Ticket in the EnrollWise system; with the adoption of the Rescission Resolution, all 751 students will lose the Opportunity Ticket and, with it, greater access to a higher-demand school.
- Boundary Changes: With the closures of the Impact Schools and the truncation of grades 6-8 at Hillcrest, the neighborhood enrollment boundaries for elementary schools and middle schools were changed. With the adoption of the Rescission Resolution, those boundary changes will revert to their prior configuration. For this year, this will mean that an estimated 1,259 students will see a change to their neighborhood school and no longer have access to a higher-demand school as their neighborhood boundary.

iii. Enrollment Impacts

The adoption of the Rescission Resolution will likely have a negative impact on enrollment for 2023-24 and beyond due to the potential problems with integrating the Impacted Schools and grades 6-8 at Hillcrest into the mail enrollment system, the loss of opportunity tickets for hundreds of students, and boundary changes. Lastly, the Rescission Resolution will increase the number of under enrolled schools and make it harder for them to increase enrollment.

- Enrollment Impacts from Possible Failures in Enrollment Process: Starting the week of January 23, there will be two enrollment processes—the main enrollment process for most schools and the special enrollment process for the Impacted Schools and grades 6-8 Hillcrest. Integrating the special process into the main process will require the developer to reduce planned testing and validation, and there will not be the normal time dedicated to proper testing and debugging. Therefore, it is possible that there will be failures with integrating the Impacted Schools and grades 6-8 Hillcrest into the main enroll system, leading to a negative user

experience, prioritization errors, incorrect school offers or assignments, and other mistakes. These could negatively impact the rate of acceptance of offers. Additionally, depending on the severity of these issues, there may be delays in the enrollment timeline; such delays could also negatively impact the rate of acceptance of offers.

- Enrollment Impacts from Loss of Opportunity Ticket: The five elementary schools that were to be closed have an average attrition rate—the percentage of students in non-transitioning grades who did not enroll in another OUSD school the next year— of approximately 10.3% over the past five years (compared with a District average of 8.4%). This means that OUSD should expect to lose a similar number of students at these five elementary schools in 2023-24. However, it is possible that the offer of an opportunity ticket and enrollment at a different school would have enticed more families to stay in OUSD. This is particularly true for these five elementary schools given that their average demand rate—the number of Kindergarten students enrolled at the school who ranked the school as their first choice divided by the number of all Kindergarten students enrolled at the school—is 34%. In other words, a significant portion of the families enrolled at those five schools had preferred another school. The offer of an opportunity ticket would greatly increase their ability to enroll in a school of their preference. Furthermore, it is possible that the removal of that offer may now increase their interest in enrolling in a non-OUSD school.
- Enrollment Impacts from Boundary Changes: Almost one-third of Oakland families opt to send their children to non-OUSD schools. While there are a number of factors that influence this decision, one factor is the family's neighborhood school. As noted above, 1,259 will no longer have access to a higher-demand school in their neighborhood boundary. As a result, some portion of these families will be more likely to send their children to non-OUSD schools.

Additionally, the Rescission Resolution increases the number of under enrolled schools. Under the School Consolidation Resolution (and prior to the adoption of the Rescission Resolution), the number of schools with enrollment under the base program threshold of 304¹⁵ was projected to be at no more than 10 for 2023-24; while a sizable number, many of these schools were Welcoming Schools, which were expected to see an immediate bump in enrollment. In fact, some Welcoming Schools were projected to have 50 more students. With the passage of the Rescission Resolution, they are again likely to experience unsustainable enrollment levels. More generally, the number of schools with enrollment for 2023-24 under the base program threshold of 304 is now projected to be at 15. Not only is this a significantly larger number, but it will be harder to push enrollment at all such schools above this threshold because the Welcoming Schools on this list will not see any increase in enrollment.

Of course, it is important to compare this anticipated loss of enrollment to the anticipated loss of enrollment from closing schools. For instance, Parker only retained an average of 76% of its students from one year to the next between 2016-17 and 2021-22. However, of the 203 students enrolled in 2021-22, 167 of those students (or 82%) enrolled in OUSD in 2022-23. In other words, given the attrition rate of the five elementary schools that were scheduled to close at the end of this year, it is not at all clear that OUSD would have lost more students by keeping them open.

Additionally, it is also possible that keeping the five elementary schools slated for closure open and maintaining grades 6-8 at Hillcrest will encourage more students to enroll in OUSD. However, there is little

¹⁵ See the Budget Section for an explanation of the 304 threshold.

data to support this possibility. As noted above, the five elementary schools previously planned for closure have low demand rates. In addition, the early planning for Hillcrest TK offering already had 78 applications for the 48 slots projected for the Hillcrest specifically.

B. Budget

There are a number of budgetary impacts from the Rescission Resolution. Most directly, there are the estimated ongoing staffing costs of continuing to run the Impacted Schools. This number, estimated at \$5.14 million, sets the floor for the ongoing budgetary effect that the Rescission Resolution will have on the District's finances. Additionally, there will be an increase in the number of schools that are not self-sustaining, requiring greater subsidies from other schools just to operate a base program. Welcoming Schools will see a decline in their base teacher allocation and their allocation of unrestricted discretionary and supplemental funds. Lastly, there is the potential loss of the \$10 million under AB 1840.¹⁶

i. Estimated Increase in Expected Staffing Costs: \$5.14 million

The Eric Hall & Associates analysis looked at the financial impact of almost all of the possible consolidations on the January 31, 2022 list. That analysis broke down the expected ongoing staff savings into different categories. Table 5 shows the estimated savings in classified and management positions from closing the Impacted Schools.

Table 5: Estimated Ongoing Savings in Management/Classified Costs

Carl B. Munck Elementary	\$1,129,897
Grass Valley Elementary	\$1,048,891
Brookfield Elementary	\$933,691
Korematsu Discovery Academy	\$643,044
Horace Mann Elementary	\$599,119
Total	\$4,354,642

For certificated staff savings, Eric Hall & Associates assumed that all of the possible consolidations were enacted and the students (and thus certificated staff) were assigned to the Welcoming Schools. Their analysis estimated an ongoing savings of \$1,111,000 in certificated staff costs from closing seven schools and transferring those students to Welcoming Schools. Therefore, a basic estimate of the ongoing certificated staff cost savings from closing five (rather than seven) of those schools is \$785,000.¹⁷

Eric Hall & Associates did not estimate non-staff savings. Therefore, the expected ongoing staff costs from the Rescission Resolution are estimated to be \$5.14 million. This number is the floor for the expected ongoing costs from the Rescission Resolution as non-staff savings are not included in this number nor is the impact on other parts of the District's budget (e.g., facilities, maintenance).

¹⁶ There are also a number of other, less direct but not less important, effects from the Rescission Resolution that have budgetary implications: the likely additional loss of enrollment, the additional cost and/or the loss of savings for facilities and maintenance, and the loss of opportunities to better manage the District's assets. However, the budgetary implications of these other effects are harder to estimate. To the extent that it was possible to estimate their budgetary implications, please see the applicable section in the Report.

¹⁷ This number was calculated by multiplying \$1,100,000 by 5/7ths. It is also worth noting that the analysis did not assume any certificated cost savings from merged schools.

ii. School Site Impacts

In addition to increasing expected ongoing costs, the Rescission Resolution will affect individual school sites in multiple ways. One such way is that the increase in small schools will pull money away from other schools.

OUSD allocates funding to schools based on a formula that provides base funding, supplemental/restricted funding, and concentration funding. While base funding goes to base needs (e.g., classroom teachers), supplemental/restricted funding and concentration funding are spent at the discretion of the site. There is a breakeven point where the revenue generated by students at a school would equal the expenditures to sustain that school program. When a school fell below that breakeven point, it would need to be subsidized by the revenue generated by students in other schools and/or the District would have to use supplemental or concentration funding. In 2018, the District calculated the breakeven point for just the basic program at an elementary school to be 304.

Table 6 shows the 10 elementary schools with the highest combined spending per student for these resources as of First Interim. The Impacted Schools are highlighted. As Table 6 demonstrates, all 10 schools are below the 304 threshold. Additionally, all 10 schools require more per student funding than the District average in order to operate, with some requiring significantly more funding per student.

Table 6: General Education Spending per Student (Top 10 Elementary Schools)

<u>School</u>	<u>Enrollment¹⁸</u>	<u>Unrestricted Base per Student</u>	<u>LCFF Supp/Conc per Student</u>	<u>Restricted Funds per Student</u>	<u>Combined Per Student*</u>
122 Grass Valley Elementary	128	\$8,478	\$1,108	\$9,340	\$18,926
183 Prescott Elementary	108	\$8,723	\$1,345	\$8,290	\$18,358
103 Brookfield Elementary	140	\$6,984	\$1,152	\$7,973	\$16,109
105 Burckhalter Elementary	168	\$7,496	\$1,141	\$5,347	\$13,984
169 Oakland Academy of Knowledge	268	\$5,266	\$979	\$7,636	\$13,881
168 Carl B. Munck Elementary	162	\$6,941	\$931	\$5,616	\$13,488
117 Fruitvale Elementary	212	\$6,373	\$1,061	\$5,463	\$12,896
121 La Escuelita Elementary	272	\$7,702	\$777	\$4,374	\$12,853
172 Fred T Korematsu Discovery Academy	182	\$6,407	\$1,191	\$5,091	\$12,689
136 Horace Mann Elementary	194	\$6,292	\$1,001	\$5,300	\$12,592
<i>District Average</i>					<i>\$9,556</i>

The School Consolidations Resolution would have reduced the number of subsidized schools. First, it would have removed five of the schools listed in Table 6. Additionally, it would have increased enrollment at a number of these schools (e.g., OAK and Burckhalter were Welcoming Schools), bringing them closer to—if not above—the 304 breakeven point. More broadly, the per student allocation for the Impacted Schools would have been redirected to other schools; with these schools remaining open, they will continue to need those resources that could have gone to other schools.

¹⁸ The enrollment numbers for budget purposes may be slightly different than what are used in the Enrollment Section as each may have been pulled from a different date.

A related effect of the Rescission Resolution is its impact on the base teacher allocation to each site and the allocation of unrestricted discretionary and supplemental funds to each site. This information is contained in each site's "one-pager," a summary of the calculated budget provided to each school site annually of their allocated costs funded by LCFF and applicable resources. As a result of the School Consolidation Resolution, the District projected an increase in the 2023-24 enrollment for the Welcoming Schools and, to a lesser extent, other nearby schools. This increase in enrollment increased both the base teacher allocation and the unrestricted discretionary and supplemental allocation to schools. (The additional allocations that schools receive such as restricted resources are more variable year to year and are less dependent on enrollment.)

With the passage of the Rescission Resolution, the enrollment projections and, thus, the base teacher allocation and the unrestricted discretionary and supplemental allocation to schools will need to be adjusted. While District Staff has not yet been able to run the new enrollment projections, it is possible to get an estimate of the adjustments to each school's one pager by using its 2022-23 one-pager as a proxy for the impact of the Rescission Resolution. Table 7 shows a comparison between a school's 2022-23 one-pager (proxy for the post-rescission 2023-24 one-pager) and its existing (pre-rescission) 2023-24 one-pager for three Welcoming Schools: Bridges, Burckhalter, and REACH.

Table 7: Estimated Comparison between Pre-Rescission and Post-Rescission One-Pagers

	<u>Bridges</u>	<u>Burckhalter</u>	<u>REACH</u>
<i>Enrollment</i>			
Pre-Rescission (2023-24 one-pager)	481	221	491
Post-Rescission (2022-23 one-pager as proxy)	432	165	428
Difference	(49)	(56)	(63)
<i>Base Teacher Allocation (FTE)</i>			
Pre-Rescission (2023-24 one-pager)	19.05	8.55	19.95
Post-Rescission (2022-23 one-pager as proxy)	17.95	6.40	17.85
Difference	(1.10)	(2.15)	(2.10)
<i>Unrestricted Discretionary and Supplemental Allocation</i>			
Pre-Rescission (2023-24 one-pager)	\$403,740	\$170,260	\$411,405
Post-Rescission (2022-23 one-pager as proxy)	\$361,900	\$122,940	\$348,315
Difference	(\$41,840)	(\$47,320)	(\$63,090)

One corollary of the need to revise the one-pagers is that there may not be sufficient time remaining to meet the statutory requirements to notify staff of position changes, including eliminations, reductions, and layoffs. The District is required to provide notification to a certificated or classified employee by March 15 if their position may be reduced or eliminated for the next year. In order to properly do this—changes to classified positions, in particular, require significant lead times in order to gather the necessary information to implement the seniority-based "bumping" of positions—all sites will need to complete their budget one-pagers by February 15. The one-pagers are expected to be revised by early February but this is not likely to give sites enough time to make all personnel decisions by February 15; the result is that positions that should be reduced or eliminated may not be. For instance, a site's original one-pager may have enabled it to afford to replace an Administrative Assistant I position with an Administrative Assistant III position (i.e., eliminate the former and add the latter). The revised one pager might mean that the school must eliminate

a second Administrative Assistant I position (or another position) in order to afford adding the Administrative Assistant III position. Given the timeline for the revised one-pagers, however, there may not be time to notice the elimination of the second Administrative Assistant I position. This may have serious financial and personnel implications, although the cost cannot be estimated as it is dependent on how sites will (re)allocate their budgets.

iii. Estimated Loss of \$10 million

Another impact of the Rescission Resolution is the potential loss of the \$10 million under AB 1840. One of the conditions to receive these funds was “Affirmative board action to continue planning for, and timely implementation of, a school and facility closure and consolidation plan that supports the sale or lease of surplus property.” While the Rescission Resolution leaves in place the consolidations that were implemented at the end of the 2021-22 school year, the State could still deem the District to now be ineligible for these resources due to the decision to rescission the consolidations planned for the end of the 2022-23 school year.

Under the Rescission Resolution, “Any unspent funding from the \$8 million allocated from AB 1840 to support Welcoming Schools . . . shall be redirected to support the Impacted Schools and offset any financial impacts of this Resolution.” Additionally, under the School Consolidation Resolution, the other \$2 million was to be allocated to support “students . . . at schools across the District based on the Black Students Thriving Indicators” per Resolution No. 2021-0037 (Reparations for Black Students). In order to continue to fund these priorities, the District will likely need to pull from other one-time funding sources and adjust its budget down by \$10 million accordingly at Second Interim.

C. School Improvement

The adoption of the Rescission Resolution will make the District's school improvement efforts more challenging. The Impacted Schools will need a significant investment as part of any improvement process. Additionally, the program at other schools, particularly Welcoming Schools, may suffer.

i. The Improvement Process at the Impacted Schools will Require Significant Investment

The Impacted Schools were recommended for consolidation based on the data presented to the Board in January and February 2022, primarily based on their lack of sustainability due to ongoing low enrollment.¹⁹ The size of the Impacted Schools has not allowed for the provision of wrap-around services to support student mental health and academic progress. For instance, the Impacted Schools typically have fewer teachers per grade-level (often one class per grade level and/or combination classes), which severely limits collaboration through professional learning communities.

One of OUSD's core school improvement processes is the School Quality Review ("SQR"), which jump-starts the improvement process. Schools undergoing improvements have engaged in SQRs and created improvement plans that are currently being implemented. The Impacted Schools have not participated in this latest round of improvement efforts as they were slated for closure. Additionally, the Rescission Resolution directs staff to initiate a new, still-to-be-defined "sustainable community schools redesign process" with a focus on the Impacted Schools, adding to the current schools engaging in the implementation of an improvement plan.²⁰

ii. The Program at Other Schools, Particularly Welcoming Schools, may Suffer

One of the key features of School Consolidation Resolution was to identify and invest in Welcoming Schools. In general, Welcoming Schools were selected due to their proximity to the Impacted Schools and their potential to offer, with the right investments and support, a high quality program. The menu of these investments included additional services through community partnerships (e.g., mental health providers, academic tutoring), additional staff (e.g., teachers on special assignment, community school managers, case managers), transportation support, facility improvements, and safety improvements.

Funding for these investments came, in part, from the \$8 million that the Board allocated to support "academic and socioemotional learning supports for all students at the consolidated schools and at the Welcoming Schools" under the School Consolidation Resolution. Under the Rescission Resolution, the remaining amount, most of those funds will now be redirected to support the Impacted Schools and offset

¹⁹ Please see the presentation from January 19, 2022, available at <https://ousd.legistar.com/LegislationDetail.aspx?ID=5385364&GUID=01D4A4F7-52A2-49C3-B6E7-D184C8D031E1&Options=&Search=>. Please also see Staff Report from February 8, 2022, available at <https://ousd.legistar.com/LegislationDetail.aspx?ID=5399120&GUID=4B4E68C0-F8F3-4276-A10E-FB32F71B35C6&Options=&Search=>.

²⁰ Though it is not a primary driver, the issue of vacancies also has a negative effect on school improvement efforts. While vacancies are a state and national problem as well as a challenge for OUSD, vacancies create particularly acute programs at small schools. To illustrate: consider a small school with only one first grade class and no teacher on special assignment ("TSA") since it does not generate enough revenue to afford one. If the first grade teacher resigns right before school starts, there is no TSA to temporarily step in to teach the class.

any other financial impacts of the Rescission Resolution.²¹ As a result, any planned investments in programs at the Welcoming Schools will be canceled or an alternative funding source will need to be identified.

This challenge of school improvement is made more costly given the District's Community Schools model, which involves wrap-around services in addition to the base program (e.g., teachers, clerical, and principal). In order for school sites to fund these additional wrap-around services, schools need to be at a size that generates additional dollars above the basic program. On average, school sites need an additional nine positions (e.g., Community Schools Manager, Restorative Justice Facilitator, Teacher on Special Assignment to focus on instructional quality, case managers, mental health providers, Culture Keepers, Teacher STIP, Social Worker) to implement the District's Community Schools model. The cost of these additional positions averages \$100,000, meaning that each school site needs at least \$900,000 above the cost of the base program. While Staff does prioritize schools with fewer students for grant funding, this approach is not sustainable as it relies on one-time funding that is often inconsistent, unpredictable, and decided year-to-year.

²¹ As noted in Budget Section, it is very possible that OUSD will lose the AB 1840 allocation, in which case there would be no AB 1840 funding to support the Impacted Schools and offset any other financial impacts of the Rescission Resolution.

D. Facilities and Maintenance

According to the District’s 2020 Facilities Master Plan (“FMP”), there are over \$3.4 billion in facilities needs across OUSD. One of the main drivers of these costs is the aging infrastructure of OUSD schools. By 2030, for instance, OUSD will have 16 school buildings that will be 100 years old. The median school by age, Urban Promise Academy, was constructed in 1949. In addition to making building modernization or replacement costly, the age of District buildings also necessitates deeper investments to keep them operational.

The passage of the Rescission Resolution impacts the District’s facilities and maintenance needs in three primary ways. First, the District will not be able to reduce the cost of outstanding facilities’ needs at its K-12 schools by the expected \$82.9 million. Second, the District will not see the expected reduction in routine and deferred maintenance costs. Lastly, planned critical facilities investments in the Welcoming Schools will not be able to be made unless other funds are identified.

i. Loss of Reduction in Outstanding Facilities Needs at K-12 Schools

More than a third (\$1.3B) of the facilities needs identified in the FMP stem from basic building systems (e.g., electrical, plumbing, heating, ventilation, and air conditioning, restrooms, sewers, asphalt) that are foundational to the core operations of schools. The estimated cost²² of the facilities needs at the four schools that were to be closed are shown in Table 8.²³

Table 8: Estimated Facilities Needs Costs

Horace Mann Elementary	\$20.9 million
Carl B. Munck Elementary	\$21.6 million
Grass Valley Elementary	\$10.7 million
Brookfield Elementary	\$29.7 million
Total	\$82.9 million

Currently, there is no plan or budget to address this \$82.9 million in facilities needs and these needs are not different from any other school in the District. Measure Y, the \$735 million general obligation bond measure approved by Oakland voters in November 2020, included a list of site-specific projects and District-wide projects. The above named schools were not included in the list of site-specific projects (in fact, most OUSD schools were not included) because the bond measure, while the largest in the history of OUSD, was still insufficient to address all or even most of the District’s facilities needs. Additionally, the Board-approved spending plan for District-wide projects does not specifically set aside funding to address the majority of the facilities needs at the above named schools.

²² These estimated costs are in 2020 dollars and the actual costs have increased given the high rate of inflation.

²³ Of the six sites impacted by the consolidations (Brookfield Elementary, Carl B. Munck Elementary, Grass Valley Elementary, Fred T. Korematsu Discovery Academy Elementary (“KDA”), Horace Mann Elementary, and Hillcrest), the to-be-available space at KDA was expected to be utilized by Esperanza Elementary and the to-be available space at Hillcrest was expected to be utilized by the remaining grades at Hillcrest (plus TK). Therefore, these two sites are not included in the above chart.

Now that these four schools will be kept open, they will continue to operate in their existing facilities for the foreseeable future and the District will, at some point, need to address the needs of these facilities by spending \$82.9 million (and probably more with inflation)—money which would then not be able to be spent on other facilities needs.

To illustrate this challenge, consider the fact that OUSD has 2,109 classrooms across 78 schools that were never designed to include air conditioning. The cost of installing air conditions systems in all of these classrooms is estimated to be \$300 million. The Impacted Schools do not have air conditioning systems; to install such systems would cost approximately \$30 million (about \$6 million per elementary school).

ii. Increase in Maintenance Costs/Dilution of Maintenance Funds

Under State law, OUSD is required to establish and maintain an account for ongoing and major maintenance of its facilities and to deposit at least 3% of its General Fund expenditures including a Routine Restricted Maintenance Account (“RRMA”) fund for routine maintenance. For OUSD, this amounted to \$21.3 Million for this year as of First Interim.

The RRMA requirement exists regardless of the number of schools in a district. However, the more schools that a district operates, the more distributed this same amount of money needs to be. This is particularly true for OUSD as compared with its surrounding districts. By comparison²⁴:

- Fremont Unified can invest 1.9x more per site
- Hayward Unified can invest 2.5x more per site
- San Lorenzo and Berkeley Unified can invest 4.8x more per site
- Alameda Unified can invest 5.2x more per site
- San Leandro Unified can invest 6.5x more per site
- Piedmont Unified can invest 12x more per site

Under the School Consolidation Resolution, the District would have been able to distribute its \$21.3 Million RRMA allocation to fewer sites; under the Rescission Resolution, this allocation will now be more diluted. More specifically, with five fewer schools, the average allocation would have increased by approximately \$20,000 or the equivalent of replacing the broken blinds in several classrooms, replacing playmatting that is damaged, or maintaining our turf fields. While all sites are impacted, this stretching of fewer resources across more schools has a greater impact on the sites that have greater need.

In addition to routine maintenance, there is an estimated \$1-\$2 million in immediate deferred maintenance needs²⁵ at the four schools to be closed and not continued to be used as a K-12 school. Meeting these needs will require reallocating deferred maintenance funding, thereby delaying deferred maintenance work slated for other schools. While the needed deferred maintenance work at the four schools would occur during the 2023-24 school year, it is highly unlikely that it would be completed prior to the start of the 2023-24 school year given the contracting process and the advanced planning required.

²⁴ These numbers use annual CALPADS Fall 1 data from 2021 and were calculated using the 3% RRMA of each district and the number of district schools.

²⁵ Deferred maintenance is different from routine maintenance. For instance, the latter would include maintenance on a boiler; the former would include replacing the boiler if it broke and is articulated in the Facilities Master Plan under Building Systems and Grounds categories.

More broadly, in 2019, the Board adopted a five-year Deferred Maintenance Masterplan that called for an annual \$7 million minimum appropriation to the Deferred Maintenance Fund. However, unlike RRMA, districts are not required to transfer money into a Deferred Maintenance Fund and the Board has not allocated the funding called for in the Masterplan. Indeed, in 2017-2018 and 2019-20, OUSD did not fund the Deferred Maintenance program at all. Starting in 2020-21, the District did start putting aside \$5 million dollars annually into the Deferred Maintenance Fund. However, the Board reduced this allocation to \$3 million for 2022-23 and beyond.²⁶ The need to continue to provide deferred maintenance work at the four schools to be closed and not continued to be used as a K-12 school will increase deferred maintenance costs at a time when the Board has not been able to sufficiently fund deferred maintenance across the District.

iii. Loss of AB 1840 Funds

As noted in the Budget Section, the State could determine that the District is now ineligible for the \$10 million under AB 1840. Per the School Consolidations Resolution, some of these funds were earmarked for facilities and maintenance work at Welcoming Schools. This would mean that the investments to improve the facilities at the Welcoming Schools would need to be canceled as there are no other identified funding sources for these investments.

²⁶ This decision was made in October 2021 as part of the Board's decision against moving forward with Cohort 3.

E. Asset Management

The management of the District's assets will be affected in two primary ways by the Rescission Resolution. First, the opportunity to utilize the to-be-available facilities²⁷ will be lost and several outstanding space needs will remain. Second, the District is more likely to be forced to make Proposition 39 ("Prop. 39") offers to charter schools that co-locate them with OUSD schools and these offers will consist of more classrooms than they would otherwise because the District's classroom-to-student ratio will be higher.

i. Lost Opportunity to Address Other Facilities Needs

The School Consolidation Resolution, in addition to identifying schools for consolidation, directed the Superintendent "to bring forward a proposal to the Board . . . for how the newly available facilities shall be utilized for District purposes." In doing so, Staff looked to Board Policy 7350 - Guidelines for Use of District Property ("BP 7350"), which requires that OUSD's "physical assets . . . be managed and maintained as a system to provide safe, secure, healthy, and technologically ready learning environments for students" in alignment with the District's Strategic Plan. In addition, BP 7350 states: "To support the District's educational and operational functions, the District shall also use its properties to realize unrestricted revenue to support programs and services for District students."

In May 2022, Staff presented the following list of the key facilities needs of the District:

- OUSD-Operated Non-Public School: Open an OUSD-operated Open an OUSD-operated non-public school for grades 2-8 to provide services to students with the most significant special needs, many of whom currently attend nonpublic programs.
- Adult Education Services: Open an Adult Education School that would serve as a main hub for adults in East Oakland and provide a variety of services based on the needs of that specific community.
- Central Services to Families: Move central offices providing direct services to families to a more central location with easy access for families.
- Community Services: Provide space to community organizations (via a joint lease or similar agreement) to provide community school wrap-around services to OUSD students and families.
- OUSD Employee Housing: Provide OUSD Employee housing to support staff retention.
- Space to Bring Existing Charter Schools into the District: Provide space as an incentive to bring existing charters into the District.

For example, using the former Parker School Facilities, the District was able to fully meet its need for Adult Education Services and partially meet its need for Joint Use Leases for Community.

²⁷ Of the six sites impacted by the consolidations (Brookfield Elementary, Carl B. Munck Elementary, Grass Valley Elementary, Fred T. Korematsu Discovery Academy Elementary, Horace Mann Elementary, and Hillcrest), the to-be-available space at KDA is expected to be utilized by Esperanza Elementary and the to-be available space at Hillcrest is expected to be utilized by the remaining grades at Hillcrest.

Staff has been preparing to bring to the Board a proposal to create an OUSD-operated non-public school for grades 2-8 (“NPS”) at the Grass Valley site. This NPS would support students in grades two through eight with Individualized Education Programs (“IEPs”) whose disability impacts relative to functional and behavioral skills are significant enough that they are unable to remain safe and make progress toward goals in a traditional public school setting. Currently, if a student cannot receive educational benefit at a traditional public school campus, IEP teams must consider nonpublic placements. Some of these students travel as far away as Pittsburg or Marin each day to attend school. Opening an NPS allows for a more complete continuum of services with lower reliance on private agencies and nonpublic schools, which typically incur far greater costs than District-provided services. Additionally, the proposed NPS would afford greater ability for students to transition to the less restrictive setting of a public program over time. As there are no suitable sites elsewhere in OUSD for the NPS, the proposal would not be able to move forward if the Rescission Resolution is adopted. Finally, the location for the NPS has certain requirements for the needs of the specific students who would attend. The location needs to be a certain distance from a major freeway and in a location with minimal noise pollution. The Grass Valley location would meet those requirements. We do not have another site that would meet the needs of the program size and location requirements.

Staff has also been preparing to bring to the Board a proposal to move critical family- and student-focused departments—Student Welcome Center, Refugee/Asylee, Foster Youth, Early Childhood Enrollment, Alternative Education Enrollment, Transitional Families/McKinney-Vento, EBAC/Family Resource Center, and Discipline Hearing Office—from their current locations to the Horace Mann site. The Horace Mann site is centrally located in the city and close to public transportation options. There is currently no other available site that meets these location needs. These departments serve at least 75 families per day in person and, during peak season, up to 400 families per day. Many of these departments are currently located at the Lakeview site, which is not an accessible location for most families. Additionally, the Lakeview site does not have enough space for all these services and the facilities are aging and in disrepair. As there are no suitable sites elsewhere in OUSD for locating these departments, the proposal will not be able to move forward.

ii. Increased Charter Co-Locations and Increased Prop. 39 Offer Size

Under Prop. 39, a charter school with students who are Oakland residents is able to make a facilities request of OUSD. If they are found to be eligible, OUSD is required by law to make them an offer of facilities that is “reasonably equivalent” to the facilities that the students would experience if they were enrolled in District schools. This “reasonably equivalent” standard applies to the number of classrooms, specialized classroom space, outdoor space, condition of facilities, etc.

Ideally, OUSD would be able to make Prop. 39 offers that do not directly impact any OUSD school—i.e., on a site without an OUSD school. However, the only current sites that are “reasonably equivalent” and that have sufficient space to use in a Prop. 39 offer to a charter school are existing District schools (including some of the five elementary schools that were to be closed). As a result, the District is currently only able to make Prop. 39 offers that necessitate one or more co-locations with a District school.

For instance, Aurum charter school, which applied for facilities from OUSD under Prop. 39 for 2023-24, is projected to be eligible for seven general education classrooms. There are 11 sites that are projected to

have sufficient space to accommodate Aurum and all are currently active schools.²⁸ Similarly, Yu Ming, which also applied for facilities from OUSD under Prop. 39 for 2023-24, is projected to be eligible for 19 general education classrooms. There is only one site - Brookfield - that is projected have sufficient space to accommodate Yu Ming; therefore, the District will either need to offer Brookfield (which will now be an active school in 2023-24 pursuant to the Rescission Resolution) or make a two-site offer that involves two co-locations. In contrast, if Brookfield were to have been closed, the District could offer Brookfield to both Aurum and Yu Ming as a charter co-location and avoid any co-locations with a District school. In other words, while the Board's decision to consolidate schools was not motivated by a desire to avoid co-locations, it is true that closing the Impacted Schools would give the Board the option to have fewer (and possibly even no) Prop. 39 offers of District-charter co-locations.

It is also important to point out another—albeit less direct—impact of the Rescission Resolution. As noted above, Prop. 39 requires that OUSD make facilities offers that are “reasonably equivalent.” Reasonably equivalent classroom space is determined by State law using the ADA-to-classroom ratio of comparison District schools. Keeping open the five elementary schools will lower the applicable ADA-to-classroom ratio of the District, which will lead to a Prop. 39 classroom entitlement for a charter school that is greater than it would otherwise be. In other words, the District will have to offer more classrooms to a charter school under Prop. 39 due to the Rescission Resolution than they otherwise would need to offer.

²⁸ Brookfield, Franklin, Prescott, Highland, Markham, Garfield, East Oakland Pride, McClymonds, Castlemont, and Hillside.

ATTACHMENT A



CSIS California School Information Services

Oakland Unified School District

Fiscal Health Risk Analysis

August 15, 2017



Michael H. Fine
Chief Executive Officer





August 15, 2017

Kyla Johnson-Trammell, Ed.D., Superintendent
Oakland Unified School District
1000 Broadway, Ste. 680
Oakland, CA 94607-4099

Dear Superintendent Johnson-Trammell:

In April 2017, the Oakland Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered an agreement for a study to perform the following:

Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis, and determine the district's risk rating

This report contains the study team's findings and recommendations.

FCMAT appreciates the opportunity to serve you and extends thanks to all the staff of the Oakland Unified School District for their cooperation and assistance during fieldwork.

Sincerely,

Michael H. Fine
Chief Executive Officer

FCMAT

Michael H. Fine, Chief Executive Officer

1300 17th Street - CITY CENTRE, Bakersfield, CA 93301-4533 • Telephone 661-636-4611 • Fax 661-636-4647
755 Baywood Drive, 2nd Floor, Petaluma, CA 94954 • Telephone: 707-775-2850 • Fax: 661-636-4647 • www.fcmat.org
Administrative Agent: Mary C. Barlow - Office of Kern County Superintendent of Schools

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About FCMAT

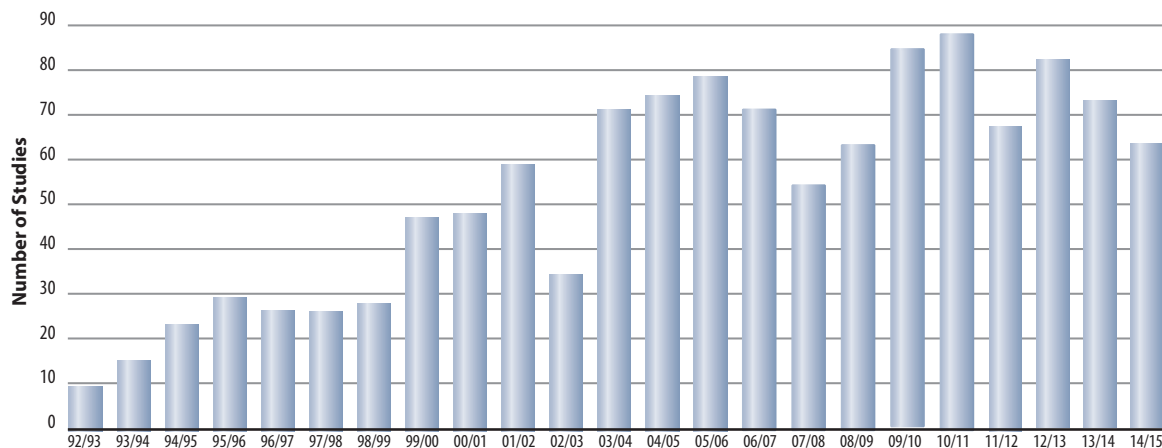
FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related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

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

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

FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms.

Studies by Fiscal Year



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

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

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

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

Since 1992, FCMAT has been engaged to perform more than 1,000 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Located in the Bay Area of Northern California, the Oakland Unified School District serves more than 49,000 students in 86 district-operated schools and 37 authorized charter schools.

Approximately half of the district's students speak a foreign language at home, and 30 percent qualify as English language learners. Eligibility for free and reduced-price lunches is 72.5 percent.

In May 2017, the district entered into an agreement with the Fiscal Crisis and Management Assistance Team (FCMAT) for a study that would perform the following:

Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis, and determine the district's risk rating.

Study Team

The study team was composed of the following members:

Michelle Giacomini
FCMAT Chief Management Analyst
Petaluma, CA

Leonel Martínez
FCMAT Technical Writer
Bakersfield, CA

Deborah Deal, CICA, CFE
FCMAT Intervention Specialist
Los Angeles, CA

Linda Grundhoffer
FCMAT Consultant
Danville, CA

Study Guidelines

FCMAT visited the district on May 30 through June 1, 2017 to review data, interview employees and collect information. This report is the result of those activities.

In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Fiscal Health Risk Analysis

Key Fiscal Indicators for K-12 Districts

The Fiscal Crisis and Management Assistance Team (FCMAT) has developed the Fiscal Health Risk Analysis to evaluate key fiscal indicators that may help measure a school district's risk of insolvency in the current and two subsequent fiscal years.

The Fiscal Health Risk Analysis should be viewed as a snapshot in time. FCMAT used the district's 2016-17 third interim budget as its baseline in conjunction with financial reports prepared throughout the 2016-17 fiscal year. At the time of FCMAT's fieldwork, the district was completing the 2017-18 adopted budget, but the details were not known or adopted by the board, so the information is not included in this report. In fact, at that time, the district had developed a plan to address the 2017-18 shortfall; however, the governing board had not formalized approximately \$9.3 million in budget adjustments necessary to ensure that the district maintains its required reserve level for 2017-18. FCMAT has added a "Subsequent Events" section at the end of this report that describes the major components of the district's 2017-18 adopted budget revenue increases and expenditures reductions. Even so, that information is not part of this report as it has not been substantiated or reviewed in detail.

Any evaluation of financial data or other organizational issues have inherent limitations because calculations are based on certain economic assumptions and criteria, including changes in enrollment; cost-of-living adjustments; forecasts for utilities, supplies and equipment; changing economic conditions at the state, federal and local levels; and changes in organization or key leadership positions.

The presence of any single criterion is not necessarily an indication of a district in fiscal crisis. However, districts that answer "No" to seven or more of the 20 key indicators may have cause for concern and could require some level of fiscal intervention. The more indicators identified, the greater the risk of insolvency or fiscal issues. Identifying issues early is the key to success when it comes to maintaining fiscal health. Diligent planning will enable a district to better understand its financial objectives and strategies to sustain a high level of fiscal efficiency.

A district must continually update its budget as new information becomes available both from within the district and from other regulatory agencies. This is particularly true as the Local Control Funding Formula nears full implementation. Federal and state factors such as a slowdown in economic factors and increases in employee pension costs erode the district's unrestricted general fund. Local factors including the impact of declining enrollment, emerging charter schools and increases in contributions to special education are difficult to control and manage.

Each of the 20 key indicators below has several questions. FCMAT's response is based on documentation provided by the district and interviews with staff. Detailed responses are summarized for each section in its entirety.

Although this assessment may not indicate that the district may be in fiscal crisis, this analysis is one measure of several dimensions of fiscal health and risk.

1. Deficit Spending

- Is the district avoiding deficit spending in the current year? No
- Is the district avoiding deficit spending in the two subsequent fiscal years? No
- Has the district decreased or eliminated deficit spending over the past two fiscal years? No
- Is deficit spending covered by fund balance, ongoing revenues, or expenditure reductions? Yes
- Has the board approved a plan to eliminate deficit spending? No

Deficit spending occurs when the district spends more in current expenses than current revenue. A structural deficit occurs when the district incurs a net decrease in fund balance following interfund transfers and contributions to restricted programs. Planned deficit spending occurs when the district has excess reserves. Beyond these planned events, the district needs to make budgetary adjustments to eliminate deficit spending to maintain appropriate reserve levels within the fund balance.

When analyzing deficit spending, the team focused on the unrestricted general fund because most restricted programs are self-supporting. If not, the unrestricted general fund makes a contribution to balance the restricted resource, also referred to as encroachment.

The following table shows the district's unrestricted general fund in several of the most recent reporting periods based on the following reports provided by the district.

OUSD - UNRESTRICTED ANALYSIS	Unaudited Actuals 2015-16	Adoption Budget 2016-17	First Interim 2016-17	Second Interim 2016-17	Third Interim 2016-17
BEGINNING BALANCE	\$16,133,721	\$17,559,526	\$12,063,851	\$12,063,851	\$12,063,851
AUDIT ADJUSTMENTS	233,568	-	-	392,864	392,864
REVENUES	395,830,186	404,053,233	403,850,246	405,043,619	405,212,350
EXPENDITURES	333,429,050	337,304,882	336,222,287	332,576,140	335,675,742
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES	\$62,401,136	\$66,748,351	\$67,627,959	\$72,467,480	\$69,536,608
TRANSFERS IN	2,328,377	564,067	735,130	735,130	847,032
TRANSFERS OUT	3,361,244	1,619,490	3,918,860	3,918,860	4,468,860
CONTRIBUTIONS TO RESTRICTED PROGRAMS	(65,671,705)	(65,564,294)	(65,530,184)	(70,462,421)	(69,940,024)
NET INCREASE (DECREASE) IN FUND BALANCE	(4,303,437)	128,634	(1,085,954)	(1,178,672)	(4,025,244)
ENDING BALANCE	\$12,063,851	17,688,160	10,977,897	11,278,044	8,431,471

Based on this information, the district has a structural deficit in each reporting period except the 2016-17 adopted budget. As noted in section four below, the district overestimated enrollment and average daily attendance (ADA) at budget adoption and was not corrected until first interim 2016-17. Additionally, the ending fund balance has decreased substantially over this period of time. This is discussed in depth in section two below.

At the time of fieldwork, the governing board has not approved a plan to eliminate deficit spending or to address the structural deficit for 2017-18 and beyond. Although the district has developed a plan to address the 2017-18 shortfall, the governing board had not formalized the budget adjustments necessary to do so.

Overall Rating:

No

2. Fund Balance

- Is the district's fund balance at or consistently above the recommended reserve for economic uncertainty? **No**
- Is the fund balance stable or increasing due to ongoing revenues and/or expenditure reductions? **No**
- Does the fund balance include any designated reserves for unfunded liabilities or one-time costs above the recommended reserve level? **No**

The district has met its 2% reserve level for all reporting periods in 2016-17 except for the projected third interim, where the district expects 1.5%. The district has not met its local requirement of 3% established by the governing board in any of these reporting periods and is not expected to meet this local requirement in the subsequent two fiscal years.

The table below illustrates the anticipated percentage of reserve levels for the unaudited actuals for 2015-16 and at each reporting period for 2016-17. Of concern is that the reserve levels and percentage are dropping in each period along with the unrestricted fund balance.

Fiscal Year	Reporting Period	Required 2% Reserve	Reported Fund Balance Reserves	Unrestricted Fund Balance
2016-17	Adopted Budget	10,405,253	10,405,253	17,688,160
2015-16	Unaudited Actuals	10,362,831	10,362,831	12,063,852
2016-17	First Interim	10,800,878	10,800,878	10,977,897
2016-17	Second Interim	10,990,122	10,990,122	11,278,244
2016-17	Third Interim	10,941,283	8,281,472	8,431,471

Adopted Budget 2016-17: Unrestricted revenue assumptions increased by \$9.1 million from the district's 2015-16 third interim report. The largest increase was in LCFF funding with \$22.4 million in new revenue due to an increase in gap funding and increase of 345 in ADA. (By the 2016-17 first interim, the district recognizes ADA will be 426 lower than estimated in the adopted budget. This will be discussed more in section four below as the district failed to identify an error in the enrollment projections.) Unrestricted expenditures increased by \$8.7 million from the 2015-16 third interim report. Overall, the unrestricted fund balance increased by \$418,000 over third interim.

Total contributions and transfers out to restricted programs is \$67,183,784, and special education represents the largest share, totaling \$51.9 million and reducing the fund balance. Overall encroachment represents 19.4% of unrestricted expenditures and \$16.2% of unrestricted revenues.

Of the \$7.1 million in other commitments, the district expects to spend \$5.9 million on audit findings and adjustments equivalent to 1.2% of the required reserve level.

Unaudited Actuals 2015-16: Although the district meets its required 2% reserve, board policy requires 3%. The amount of reserves dedicated to the increased reserve level has decreased by \$4.3 million from the prior year. District staff indicated that contributions to special education, early childhood and food service programs have eroded reserves.

Special education encroachment grew by \$1.6 million over third interim 2015-16 and \$6.2 million over 2014-15 unaudited actuals and now totals \$51.5 million encroachment from unrestricted funds.

- The early childhood program was supported with \$1.3 million of unrestricted and \$2 million of Title I funds yet overspent by \$1.2 million as the district hired staff for the new United Nations program while the numbers of anticipated students did not materialize.
- Food service programs required contributions of \$2 million approximately \$1.1 million more than budgeted even though the district has experienced a decline in enrollment and number of meals served. Because sites can arrange their own bell schedules, the food service department cannot coordinate delivery and staffing levels to maximize efficiencies. Until the district coordinates standardized bell schedules, food services will continue to need contributions to support the program.

The chief financial officer indicated that the unrestricted structural deficit of \$1.5 million after adjustments for one-time revenues and expenses must be addressed in the 2017-18 budget.

First Interim 2016-17: The district recognizes that ADA is 426 lower than estimated in the adopted budget and decreased unrestricted revenues accordingly. The county office of education stated that while the revenues were adjusted, the district does not appear to have reduced expenditures.

Based on the first interim report, the district is experiencing a structural deficit of \$1.1 million for the unrestricted general fund although adjusting for one-time expenditures, the net structural deficit is approximately \$481,000.

Total contributions to restricted programs is \$65,564,294.

A more thorough discussion of encroachment is in section nine below.

At first interim, the district is barely able to meet its 2% required reserve level with \$27,000 in excess reserves. Overall, the unrestricted fund balance drops by \$6.7 million. Of this amount, \$5.5 million was recorded and recognized in the unaudited actuals to settle prior year audit findings and adjustments as previously noted.

Based on concerns from the county office regarding declining enrollment, an adverse impact on enrollment projections, an increase in special education encroachment and deficit spending, the district's positive certification was changed to a qualified certification.

Second Interim 2016-17: Unrestricted revenues increased by \$1.2 million and expenditures decreased by \$3.6 million. Of significant concern is that special education contributions increased by \$4.9 million from first to second interim.

The district implemented a general fund spending protocol on January 9, 2017 to limit site and department spending districtwide in response to the erosion of the fund balance. According to those interviewed, sites and departments rushed to spend budgets before the actual implementation. Normal savings from staff turnover and unspent budgets based on district trends did not materialize. In fact, purchase-order activity increased by 249%, or \$1,299,228, more purchase orders processed in January 2017 than January 2016.

At second interim, the district is barely able to meet its 2% required reserve level and has \$137,000 excess reserves. Overall the unrestricted fund balance increased by \$300,000.

The district filed a qualified certification at second interim.

Third Interim: By third interim, the district is \$2.8 million short of its required 2% reserve level. The unrestricted fund balance dropped from \$17.7 million at budget adoption to \$8.4 million by the end of the year.

The table below summarizes the district's financial activity from unaudited actuals 2015-16 through third interim 2016-17.

OUSD - UNRESTRICTED ANALYSIS	Unaudited Actuals 2015-16	Adoption Budget 2016-17	First Interim 2016-17	Second Interim 2016-17	Third Interim 2016-17
BEGINNING BALANCE	\$16,133,721	\$17,559,526	\$12,063,851	\$12,063,851	\$12,063,851
AUDIT ADJUSTMENTS	233,568	-	-	392,864	392,864
REVENUES	395,830,186	404,053,233	403,850,246	405,043,619	405,212,350
EXPENDITURES	333,429,050	337,304,882	336,222,287	332,576,140	335,675,742
TRANSFERS IN	2,328,377	564,067	735,130	735,130	847,032
TRANSFERS OUT	3,361,244	1,619,490	3,918,860	3,918,860	4,468,860
CONTRIBUTIONS TO RESTRICTED PROGRAMS	(65,671,705)	(65,564,294)	(65,530,184)	(70,462,421)	(69,940,024)
ENDING BALANCE	\$12,063,851	\$17,688,160	\$10,977,897	\$11,278,044	\$8,431,471
REVOLVING CASH	150,000	150,000	150,000	150,000	150,000
2% RESERVE	10,362,831	10,405,253	10,800,878	10,990,122	11,120,037
AUDIT FINDINGS	-	5,922,314	-	-	-
EARLY RETIREMENT INCENTIVE	604,742	604,742	-	-	-
OTHER COMMITMENTS	46,279	605,852	-	-	-
UNAPPROPRIATED	\$0	\$(0)	\$27,019	\$137,922	\$(2,838,566)

Overall Rating:

No

3. Reserve for Economic Uncertainty

- Is the district able to maintain its reserve for economic uncertainty in the current and two subsequent years based on current revenue and expenditure trends? No
- Does the district have additional reserves in fund 17, special reserve for other than capital projects? No
- If not, does the district's multiyear financial projection include a plan to restore the reserve for economic uncertainty? No

The district has maintained the legally required 2% reserve for economic uncertainty for all reporting periods except third interim 2016-17. However, the governing board has established a higher reserve level of 3% that has not been met in the current or subsequent two fiscal years as demonstrated in the table above.

The district does not have other funds available to provide unrestricted funds to support the general fund.

The district has developed a plan to address the 2017-18 shortfall; however, the governing board has not formalized approximately \$9.3 million in budget adjustments necessary to ensure that the district maintains its required reserve level for 2017-18.

In addition, the district will need to address the shortfalls caused by the structural deficit in the 2018-19 and 2019-20 budgets. The amount of actual adjustments will depend on decisions the governing board has yet to approve. (This will be further discussed in a section 13 below).

Overall Rating:

No

4. Enrollment and Attendance

- Has the district's enrollment been increasing or stable for multiple years? No
- Is the district's enrollment projection updated at least semiannually? Yes
- Are staffing adjustments for certificated and classified employee groups consistent with the enrollment trends? No
- Does the district analyze enrollment and average daily attendance (ADA) data? Yes
- Does the district track historical data to establish future trends between P-1 and P-2 for projection purposes? Yes
- Has the district implemented any attendance programs to increase ADA? Yes
- Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly? Yes
- Have approved charter schools had little or no impact on the district's student enrollment? No
- Does the district have a board policy that attempts to reduce the effect that transfers out of the district have on the district's enrollment? No
- Did the district certify its CALPADS Fall 1 submission by the required deadline? Yes

The district's enrollment continues to decline. According to certified DataQuest enrollment information, the district has lost 55 students from 2013-14 to 2016-17 while charters have increased 2,621 as shown in the table below. The first interim report analysis prepared by the county office, states that the district was "short of expectations" on enrollment, which may not be updated in the district's budget.

Fiscal Year	2013-14	2014-15	2015-16	2016-17
District Enrollment	36,869	37,096	37,124	36,814
Charter Enrollment	10,325	10,981	11,974	12,946
Totals	47,194	48,077	49,098	49,760

The district maintains projections on Excel spreadsheets that have not been monitored closely for wide variances and cell formula irregularities that have skewed the projections and caused errors, causing management to overstaff as discussed below.

In previous years, the district released staff and/or made other adjustments after the 20th day of school if enrollment was lower than expected. However, in the 2016-17 year, this did not occur even though the Business Department became aware of a large error in the Excel enrollment projections worksheet. This lack of recognition led to gross overstaffing and understatement of revenue. As a result, the district could not meet reserve levels for each reporting period in the 2016-17 fiscal year, and fund balance declined significantly.

The district tracks and analyzes enrollment and ADA data between P1 and P2. This information is used to establish future trends for projection purposes. As previously mentioned, the Excel spreadsheet error once realized did not cause management to reduce staffing accordingly.

Information about enrollment and attendance is maintained at the site level and reconciled monthly. The district has implemented attendance incentive programs to increase ADA and provide students maximize learning opportunities. It also hosts regular site trainings on Aeries, the student enrollment/attendance software, and prepares handbooks for sites/departments. The district has developed a handbook for school sites on strategies to improve and increase student attendance.

Charter enrollment has a significant effect on the district's enrollment and has increased by 1,965 during the last three fiscal years. The district denied several charter school petitions that were subsequently approved by the county office where charter students reside within district boundaries. This has had an impact on district enrollment.

The district has a board policy that attempts to reduce the effect of student transfers from the district, yet the district continues to experience declining enrollment.

The district certified its CALPADS Fall 1 submission timely.

Enrollment projections should be based on historical trends, new housing starts, knowledge of pertinent local factors such as changes in industry, emerging charter schools, birthrates and more. The best practice is to project conservatively and adjust staffing as necessary once enrollment materializes beyond projections. District administration should balance the need to maintain predetermined class sizes with appropriate staffing levels to avoid overspending.

Overall Rating:

Mixed

5. Debt

- Does the district have a recent actuarial study and a plan to set funds aside for unfunded liabilities? Yes
- Does the district maintain low levels of non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others)? Yes
- Is the district conforming to GASB 68 requirements by recognizing and reporting its proportionate share of net liability for pension programs? Yes

The following table from the district's Audit Report as of June 30, 2016 shows \$1,402,317,412 in total debt:

Debt Type	June 30, 2016 Balance
General Obligation Bonds (Multiple Issuances)	\$932,545,000
General Obligation Bond Premiums	42,198,166
Emergency Apportionment Loan	44,433,868
Compensated Absences, net of claims liability	11,533,784
Claims Liability	42,046,657
Aggregate net pension liability-STRS & PERS	329,559,937
Total Long-Term Debt Obligations	\$1,402,317,412

Payments for general obligation bonds are made from the bond interest and redemption fund generated from collections of local property tax revenues. Payments for the emergency apportionment loan are the obligation of the unrestricted general fund. The fund that pays the employee compensation would pay the accrued vacation and net pension liabilities. The self-insurance fund pays claims liability.

Senate Bill 39, Chapter 14, Statutes of 2003, was enacted on January 3, 2003 to provide an emergency apportionment loan of \$100 million to the district. The district budgets annual payments of \$5,985,437 from its general fund and expects full repayment in 2026.

The district complies with GASB 68 recognition of net liability for pension programs as demonstrated in the 2015-16 Annual Financial Independent Audit which reflected the following for the district's proportionate share of the net liability for pension programs in 2016:

CalSTRS:	\$233,433,103
CalPERS:	96,126,834
Total Net Pension Liability	\$329,559,937

Overall Rating:

Yes

6. Cash Monitoring

- Can the district manage its cash in all funds without interfund borrowing? No
- If interfund borrowing is occurring, does the district repay the funds within the statutory period in accordance with Education Code Section 42603? Yes
- Does the district forecast its cash receipts and disbursements and verify them at least monthly to ensure that cash flow needs are known with plenty of notice? Yes
- Does the district have a plan to address short-term cash flow needs? No
- Are cash balances reconciled to bank statements monthly? Yes

The district reconciles cash monthly and regularly projects cash flow needs. Interfund repayments are completed within the statutory guidelines.

As previously mentioned on January 3, 2003, Senate Bill 39, Chapter 14, Statutes of 2003 was enacted which provided the district with an emergency loan of \$100 million to offset the cost of audit findings, technology enhancements and the associated loan payment of the draw-down.

In addition to these loan proceeds, the state budget has included significant levels of funding in the last four fiscal years. For the last two fiscal years, the state has eliminated apportionment deferrals. It is concerning that the district is experiencing cash flow shortages requiring temporary borrowing.

District records from 2010-11 to 2016-17 shows that it has borrowed cash from the county treasurer to meet cash flow needs for general fund operations. On August 24, 2016, the governing board approved a resolution for temporary borrowing not to exceed \$30 million in accordance with Education Code Section 42620 and California Constitution Article XVI, Section 6. FCMAT identified this cash loan totaling \$26 million occurring in November 2016 and repayment scheduled in May 2017.

Projections show that the district experiences cash flow needs until property tax receipts are received in December and April. This is an indication that cash reserves are limited and those responsible for cash management are unable to forecast cash needs due to many circumstances beyond their control especially when budgets are routinely overspent and district administration authorizes positions not reflected in the board approved budget. FCMAT cites several conditions that have an impact on both the budget and ultimately available cash reserves including but not limited to the following:

- Constant turnover in the positions of superintendent and chief financial officer (CFO).
- Staff turnover in key business and administrative levels.
- Overstaffing at school sites.
- Abundance of small schools and failure of the governing board to address this issue.
- Complete site autonomy and lack of district structure and/or guidelines for consistency between school sites.
- Separation of the budget and finance departments.
- An abundance of budget exceptions granted to sites and departments that overspend.

Overall Rating:

Mixed

7. Bargaining Agreements

- Has the district settled the total cost of the bargaining agreements at or under COLA during the current and past three years? No
- Did the district conduct a presettlement analysis, including multiyear projections, identifying ongoing revenue sources or expenditure reductions to support the agreement, as well as the long-term effects on the district? Yes
- Did the district correctly identify the related costs above the COLA, (e.g. statutory benefits, step and column)? Yes
- Did the district address budget reductions necessary to sustain the total compensation increase, including a board-adopted plan? No
- Did the superintendent and CBO certify the agreement prior to ratification? Yes
- Is the governing board's action consistent with the superintendent's/CBO's certification? Yes
- Did the district meet the public disclosure requirements, including disclosure of the costs associated with a tentative collective bargaining agreement, before it became binding on the district? Yes

The table below shows statutory cost of living from 2012-13 through 2017-18, and another reflects a summary for each bargaining unit of on-going salary increases.

The district has bargained more than a cost-of-living increases in each of the last three years. For example, the Oakland Education Association received 5.596% for fiscal year 2014-15, 5.53% for 2015-16 and 3.40% for 2016-17, totaling 14.526% while cost-of-living increases total 1.87% during this same period of time. Bargaining beyond statutory cost-of-living increase must be supported by the available fund balance.

According to the district, the three-year contract for teachers ended on June 30, 2017. Compensation for all bargaining units is based on a revenue sharing model where 65% of local control funding model (LCFF) dollars is identified for compensation. Total LCFF is comprised of base funding, grade level adjustments, supplemental and concentration grant funding. The district must identify a nexus to supplemental and concentration grant funding to include these amounts in total compensation. FCMAT was not provided with documentation to support how the district created this nexus for negotiation purposes.

FCMAT was provided documentation to support ongoing negotiations with bargaining units and sunshining of initial proposals.

In accordance with AB 1200, the district has prepared the Public Disclosure of Collective Bargaining Agreements for ratification by the governing board that demonstrate the multiyear impacts of cost-of-living increases, increases in pension benefits, the number of full-time equivalent positions and narrative explanations signed by the superintendent and chief business official.

It is imperative that the governing board review the concerns identified in this report regarding deficit spending, fund balance, encroachment, position control and multiyear financial projections before the ratification of new contract proposals to ensure an adequate fund balance and restoration of the reserve levels.

Fiscal Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Statutory COLA	3.24%	1.57%	0.85%	1.02%	0.0%	1.56%

Employee Group	Bargaining Unit	Current FTE Count	Contract Expiration Date	Ongoing Wage Increases FY 2013-14 through FY 2015-16
Certificated	Oakland Education Association	2619	June 30, 2017	5.596% As of 6/30/2014 2.74% Effective 7/01/2015 2.79% Effective 1/01/2016 3.07% Effective 7/1/2016 0.33% Effective 1/1/2017
Classified	Service Employees Int'l Union	893	June 30, 2018	5.596% As of 6/30/2015 3.09% Effective 5/01/2016 3.40% Effective 3/1/2017
Classified	American Federation of State, County and Municipal Employees	620	June 30, 2017	6.846% As of 6/30/2015 2.74% Effective 7/01/2015 1.25% Effective 1/01/2016 3.07% Effective 7/1/2016 0.33% Effective 1/1/2017
Classified	California School Employees Association	10	June 30, 2016	9.75% Effective 2/01/2016** 3.07% Effective 1/1/2017
Classified	Building and Construction Trades Council	85	June 30, 2017	8.7% Effective 1/01/2016** 3.40% Effective 3/1/2017
Classified	Teamsters	13	June 30, 2018	8.7% Effective 1/01/2016**
Supervisory	United Administrators of Schools	408	June 30, 2017	5.596% As of 6/30/2015 2.74% Effective 7/01/2015 0.29% Effective 1/01/2016 3.07% Effective 7/1/2016 0.33% Effective 1/1/2017

** These employee groups received no wage increases during fiscal years 2013-14 and 2014-15.

Overall Rating:

No

8. General Fund

- Is the percentage of the district's general fund unrestricted budget allocated to salaries and benefits at or under the statewide average? Yes
- Does the district ensure that only ongoing restricted dollars pay for permanent staff? No
- Does the budget include reductions in expenditures proportionate to one-time revenue that will terminate in the current or two subsequent fiscal years? No
- Does the district ensure that the parcel tax does not pay for ongoing expenditures? No
- Does the district ensure that litigation and/or settlements are minimized? Yes

The district's general fund unrestricted budget allocated to salaries and benefits is at or under the statewide average.

It is important to identify and track one-time revenues with one-time expenses. Ideally, temporary funding, including one-time funds, should be spent on one-time expenditures. If staffing is provided, employees should be notified of their temporary employment period.

The district has three approved parcel taxes: Measure G is ongoing; however, Measure N expires in 2024 and Measure G1 expires in 2028. Staffing associated with temporary parcel taxes should be tracked and staff notified of layoff dates when taxes expire. Management and the governing board should have sufficient time to react and adjust for substantial layoffs when the parcel taxes expire.

These parcel taxes pay for ongoing salary and benefits as well as other expenses approved in each Measure. Because of increased salaries and benefits, current parcel tax levels may not be sufficient to pay for any other expenditures beyond salaries and associated benefits following the 2018-19 fiscal year. Expenses for books, supplies, and other operating expenses cannot be sustained unless there is a reduction in staff.

The district spent approximately \$33 million from restricted local donations, including parcel taxes, most of which were one-time revenues. Most of these expenditures were used to pay for salaries and benefits. Personnel funded from one-time restricted funds should be laid off each year pending receipt of new funds. The best practice is to budget the receipt of donated funds upon actual receipt of the funds to avoid overappropriation of budgets until funding has materialized.

FCMAT did not see material changes in litigation and/or settlement costs.

Overall Rating:

Mixed

9. Encroachment

- Is the district aware of the contributions to restricted programs in the current year? (Identify cost, programs and funds) Yes
- Does the district have a reasonable plan to address increased encroachment trends? No
- Does the district manage encroachment in all funds including the cafeteria fund? No

Encroachment represents the amount of contributions to restricted programs that are not self-supporting. Traditionally, special education, transportation and restricted routine maintenance are programs that fall short of federal and state funding to be self-supporting.

The majority of encroachment is from special education programs and the restricted routine maintenance account (RRMA.) A full explanation of RRMA funding requirements is provided in section 19 below. Essentially, legislation has provided a phase-in to full funding of the RRMA program by 2020-21.

Encroachment from special education programs represents 20.8% of the unrestricted expenditures and continues to grow more than any single sector of the district's budget.

Records indicate that in 2013-14, the total general fund encroachment was \$48,240,894, of which \$41,200,568 was to support special education programs. At third interim in 2016-17, the total general fund encroachment is estimated to be

\$69,940,024, of which \$56,292,846 is special education programs. The table below shows year-over-year increases to support special education programs.

Fiscal Year	Special Education Contribution
2013-14	\$41,200,568
2014-15	\$45,349,775
2015-16	\$51,534,414
2016-17	\$56,292,846

FCMAT compared student ADA and expenditure data from 2015-16 with statewide average for unified school districts. The following shows the comparison between statewide averages for district contributions and expenditures per ADA for Oakland USD.

The following has expenditures only for special education based on the maintenance-of-effort report:

Special Education Cost Per Student

Fiscal Year 2015-16

	District Data	District Amount Per ADA	Statewide Average Per ADA	Difference
Total District ADA	35,484.27			
District Encroachment	\$51,534,414	\$1,452	\$1,226	\$226
Special Education Expenditures	\$83,406,326	\$2,351	\$2,041	\$310

Based on this information, the district exceeds the statewide average for both amounts per ADA for expenditures and contributions. The district should consider an in-depth review of the special education program for cost containment opportunities that still maintain high-quality programs to reduce the escalation of costs.

The cafeteria and child development funds also require contributions. Although district administrators have identified ways to reduce encroachment in both programs, implementation will require that the governing board adhere to standardized bell schedules or allow senior administrators to institutionalize schedule changes that have minimal impact on educational programs.

School site principals have discretion to create and adjust bell schedules that affect the timing of these auxiliary programs to operate at optimum levels of efficiency. Until the governing board takes action to standardize bell schedules, these programs will require unrestricted general fund contributions.

Encroachment from the early child development fund was \$452,212 in 2013-14, but is projected to be \$1,943,860 at third interim in 2016-17. The cafeteria fund caused no encroachment in 2013-14, but encroachment is projected to be \$2,525,000 at third interim for 2016-17.

Overall Rating:

No

10. Management Information Systems

- | | |
|--|-----|
| • Is the district's financial data accurate and timely? | Yes |
| • Are the mandated county and state reports filed in a timely manner? | Yes |
| • Are key fiscal reports — including those on personnel, payroll and budget - accessible, timely, and understandable? | Yes |
| • Is the district on the same financial system as the county? | No |
| • If the district is on a separate financial system, is there an automated interface with the financial system maintained by the county? | No |
| • Is the district able to accurately identify students who are eligible for free and reduced-price meals, English learners, and foster youth, in accordance with Local Control Funding Formula (LCFF) and Local Control Accountability Plan (LCAP) requirements? | No |
| • Is the district able to collect, assess, and report student data in the California Longitudinal Pupil Achievement Data System (CALPADS)? | Yes |

District financial data is accurately reflected in the financial system based on information compiled by district staff for the FCMAT review. Mandated county and state reports are filed timely. The district can generate fiscal reports and budget development modeling through a web-based program that extracts information contained in the integrated financial accounting system that housed position control information. While the system is not ideal, it produces reliable information for end users.

The entire financial system is composed of several operating systems with programmed interfaces for overall integration of information. The county office uses the Escape financial and human resource system. With technical and financial assistance from Alameda County Office of Education, the district will transition to Escape Technologies, a fully integrated system, on July 1, 2018.

The district's technology plan for July 1, 2014 through June 20, 2018 identifies extensive goals for curriculum, professional development and infrastructure, hardware, technical support and software. Also included is a replacement policy for obsolete equipment, monitoring and evaluation of technology on teaching and learning. The district uses effective research-based methods and strategies to implement a support system for students, teachers and the community that provides access and resources for the best learning environment.

The district has identified the following priorities:

- Student learning
- Productivity
- Data and assessment
- Safety, ethics, and security
- Support teachers and staff
- Infrastructure
- Equity and access

- District technology staff has identified an extensive listing for each school and district office site for network infrastructure and equipment replacements for possible E-Rate funding. A summary of E-Rate requests for funding and commitments from 1998 through 2016 show that the district has received more than \$65.8 million, or 38% of total requested amount, in E-Rate assistance.

The district provided documentation of California Longitudinal Pupil Achievement Data System (CALPADS) reports that identify students who are eligible for free and reduced-price meals, English learners, and foster youth in accordance with LCFF and Local Control Accountability Plan (LCAP) requirements. These reports are processed through CALPADS and meet all the state reporting requirements.

Audit finding 2016-008 – Unduplicated Local Control Funding Formula Pupil Counts – is a repeat from the previous audit year. The unduplicated pupil count was reduced by 15 students designated as English learners that required the district update the CALPADS data entry screen to make the correcting adjustment. According to the district's official response, it continues to make considerable improvements to the student intake process when students transfer in from other districts. Additional training has been provided to staff responsible for CALPADS submissions and a team of enrollment and attendance personnel is monitoring to ensure accurate reporting.

Overall Rating:

Yes

11. Position Control and Human Resources

- Does the district maintain and use an effective and reliable position control system that tracks personnel allocations and expenditures? No
- Is position control integrated with payroll and the financial system? No
- Does the district control unauthorized hiring? No
- Is the district able to control overstaffing? No
- Are the appropriate levels of internal controls (i.e., checks and balances) in place between the business and personnel departments to prevent fraudulent activity? No
- Is position control reconciled against the budget during the fiscal year? No
- Does the district offer or ensure that staff attend professional development regarding financial management and budget? Yes

A reliable position control is a planning tool that incorporates defined standards for tracking, adding, creating and deleting positions within the organization. A properly functioning position control system has internal control checks and balances between personnel decision-making and budget appropriations that align staffing with budget and payroll systems.

Beginning in April of each fiscal year, the district initiates the Fiscal Year Position Control Set-up, Employee Roll & Syncing process. This multi-step process uses a web-based budget development tool in conjunction with the Integrated Financial Account System (IFAS) that has unique position control numbers to generate site budgets for labor and non-labor expenditures.

Although the district uses a position control system, the district's budgeting tool allows sites to budget for staffing using "average" salaries, which may not cover the actual cost of staffing. When site budgets are built on average salaries and actual placement costs are higher, the district backfills the deficiency from unrestricted reserves.

Position control does not integrate with the payroll system. Instead, the district uses the budget development tool to track total full time equivalent positions then overlays position control which can create duplicates. IFAS unique position control number for each employee are uploaded to the budget development tool allowing sites to model their allocations. Once sites complete the process, site budgets are uploaded into IFAS. The budget development tool should be reconciled with IFAS position control to prevent duplicate positions in the budget prior to uploading back into the IFAS system. Ideally, each board-authorized position should have a unique position control number instead of each employee. The district is encouraged to review the overlay process and unique numbering system.

The human resources office utilizes a separate standalone system, Applicant Tracking, that is not integrated with the IFAS; however, the district will transition to a new system July 2018, Escape Technologies, at which time human resources will abandon the existing system.

The district uses a fillable position requisition form for sites and departments requesting position elimination, creation and/or funding changes. The form has complete instructions for workflow approvals.

Following the resignation of the chief financial officer, the Payroll Department was placed under the control of human resources. FCMAT made inquiries about the integrity of internal controls between business and human resources and was told that the independent auditor has approved and that no violations of internal controls exist. The Payroll Department has been moved back under the supervision of the chief financial officer since the time of FCMAT's fieldwork.

Human resources stated that the budget is reconciled with position control, human resources and payroll records and that human resources ensures new positions are funded in IFAS; however, numerous staff reported that the former superintendent rushed new unfunded positions through the process without regard to budget appropriation.

FCMAT reviewed board minutes and notes several positions authorized on June 29, 2016 and subsequently board-approved without budget appropriation. FCMAT requested and received information to substantiate that these positions approved on that date were not in the budget adoption. The district should ensure that new positions are board-approved and budget appropriation is available to support these positions prior to employee start dates and contract approvals.

Overall Rating:

No

12. Budget Development and Adoption

- Is a budget calendar used that contains statutory due dates and the major budget development milestones? Yes
- Are clear processes and policies in place to analyze resources and allocations to ensure they align with strategic planning objectives and that the budget reflects the LEA's priorities and LCAP? Yes
- Is the LCFF correctly calculated and understood? Yes
- Are projections for ADA, enrollment, revenue and unduplicated pupil count accurate and reasonable? Yes
- Is the district decreasing deficit spending and maintaining adequate reserves and fund balance when compared with the prior year? No
- Has the district ensured that the LCAP is incorporated in the budget? Yes
- Is the budget developed using a zero-based method rather than being a rollover budget? No
- Does the district use position control data for budget development? Yes
- Does the budget development process include input from staff, administrators, board and community, as well as the budget advisory committee (if there is one)? Yes
- Are the LCAP and the budget adopted within statutory timelines established by Education Code Section 42103, and are the documents filed with the county superintendent of schools no later than five days after adoption, or by July 1, whichever occurs first? Yes

FCMAT reviewed the 2017-18 budget development calendar. The district's budget calendar is developed utilizing statutory timelines, identifies task and the responsible department.

Instead of zero-based budgeting, the district uses a virtual budget development tool for budget development. Training documents show that staffing levels from the current year are rolled into the next fiscal year. Managers and site principals determine staffing levels by adding or deleting full-time equivalent positions using averages based on the position control data, and any remaining balance can be spent on nonlabor categories.

Budget development begins in August of the preceding year and involved multiple central support departments as well as school sites. The district has developed a budget handbook that includes detailed instructions for major budget activities. Also incorporated in the budget development process are the steps necessary to fulfill the district's LCAP requirements for parent, community and employee engagement; LCAP progress; school site council budget reviews; meeting with bargaining units to discuss budget additions/deletions; federal grants; board study sessions and adoption dates for the LCAP and district budget.

The district developed and uses a 2017-18 budget development checklist with its sites as well as a comprehensive budget development guide. The guide describes the overall budget development process, how to engage in the process and a step-by-

step planning and preparation guide. Included is a narrative about major funding sources that clarifies how to utilize the resources for staffing purposes in an effort to comply with LCAP requirements, board of education actions, and the schools' priorities. Analysts from the Business Services Department try to visit school sites monthly to provide budgetary support and prepare journal entry forms.

Overall Rating:

Yes

13. Multiyear Projections

- Has the district developed multiyear projections that have reasonable assumptions? Yes
- Are projected fund balance reserves disclosed and based on the most reasonable and accurate information available? Yes
- At a minimum, are the multiyear projections compiled at budget adoption and at the time of interim reports? Yes
- For the purpose of calculating multiyear projections, is the district using the latest LCFF gap closure percentages that show the amount of funding necessary to maintain purchasing power for the LCFF statewide? Yes
- Is the LCFF target for each year recalculated based on the grade span ADA, and then compared to the adjusted prior year funding, so that the funding gap would then be reduced by the funding gap percentage for the given year? Yes

The district prepares multiyear financial projections (MYFPs) at each major reporting period in conjunction with each major reporting period. The MYFPs are presented at the same time as the budget reports using the latest LCFF assumptions for cost-of-living adjustment and gap closure. The LCFF target is automatically recalculated based on the district's declining enrollment, ADA, unduplicated counts together with cost-of-living adjustment and gap closure.

The district prepared the third interim report for 2016-17 demonstrating an inability to meet its required 2% reserve level. Included in the third interim report is the multiyear financial projection and district assumptions. Although assumptions for enrollment, ADA and step-and-column increases are reasonable, at the time of FCMAT's fieldwork the MYFP shows that \$23.07 million in budget adjustments is still needed to balance the unrestricted general fund in 2017-18.

The multiyear projection for 2017-18 unrestricted funds showed a modest reduction in revenues with a significant reduction in expenditures as shown in the table below. The district does not provide a narrative to explain how it plans to reduce unrestricted expenditures by \$13.8 million in 2017-18 and restore these expenditures by \$10 million in 2018-19. Without detailed information to support these reductions and subsequent increases, these projections are unreasonable.

OUSD - UNRESTRICTED MYFP ANALYSIS AT THIRD INTERIM 2016-17	Third Interim 2016-17	FISCAL YEAR 2017-18	FISCAL YEAR 2018-19
REVENUES	\$405,212,350	\$403,019,811	\$417,158,916
EXPENDITURES	\$335,675,742	\$321,876,847	\$331,850,428
SURPLUS (DEFICIT)	\$69,536,608	\$81,142,964	\$85,308,488
TRANSFERS IN	\$847,032	\$675,969	\$675,969
TRANSFERS OUT	\$4,468,860	\$4,569,856	\$4,683,645
CONTRIBUTIONS TO RESTRICTED PROGRAMS	\$(69,940,024)	\$(72,609,573)	\$(75,394,550)
INCREASE/DECREASE TO FUND BALANCE (NEGATIVE IS A STRUCTURAL DEFICIT)	\$(4,025,244)	\$4,639,504	\$5,906,262
UNRESTRICTED FUND BALANCE	\$8,431,472	\$13,070,975	\$18,977,238
RESERVE FOR ECONOMIC UNCERTAINTIES 2%	\$11,120,037	\$10,793,508	\$11,033,399
OTHER ASSIGNMENTS	-		
SURPLUS (SHORTFALL)	\$(2,688,565)	\$2,277,467	\$7,943,839

As mentioned in section two above, the district's unrestricted ending fund balance has decreased by \$9.3 million in the 2016-17 fiscal year. The largest adjustment was the result of overprojecting ADA for the adopted budget, which was adjusted at first interim; however, offsetting budget adjustments to expenditures were not incorporated until second interim.

Anticipated savings from a general fund spending protocol only caused the situation to worsen as sites and departments encumbered available budget balances in anticipation of the spending freeze.

From adoption to third interim, contributions to restricted programs increased by \$4.375 million, exacerbating the district's financial condition and eroding the unrestricted fund balance to less than the required 2% reserve level.

Overall Rating:

Yes

14. Budget Monitoring and Updates

- Are budget assumptions updated throughout the year as updated information becomes available? Yes
- Are actual revenue and expenses in line with the most current budget? No
- Are budget revisions completed in a timely manner? No
- Does the district openly discuss the impact of budget revisions at the board level? Yes
- Does the district abide by Education Code 42127(h) by informing the board of education and the public, within 45 days of enactment of the state budget, of any changes in the state budget that would affect the adopted budget? Yes
- Are budget revisions made or confirmed by the board at the same time the collective bargaining agreement is ratified? Yes
- Has the district's long-term debt decreased from the prior fiscal year? No

- Are contributions to restricted programs controlled and monitored? No
- Has the district identified the repayment sources for long-term debt or non-voter-approved debt (e.g. certificates of participation, capital leases)? Yes
- Does the district's financial system have a hard-coded warning regarding insufficient funds for requisitions and purchase orders? Yes
- Does the district encumber salaries and benefits? Yes
- Are the balance sheet accounts in the general ledger reconciled regularly? No
- Does the district complete and file its interim budget reports within the statutory deadlines established by Education Code Section 42130 and following, in a format or on forms prescribed by the Superintendent of Public Instruction (SPI), and ensure that they are based on standards and criteria for fiscal stability? Yes

The district updates budget assumptions regularly in accordance with the latest information available from the governor's budget updates and legislative analysis office. While these types of assumptions primarily influence budgeted revenues and costs associates with employee pension obligations, budgeted expenditures are not properly aligned with actual financial activity in a timely manner.

Managing a multimillion dollar budget requires sufficient personnel devoted to managing and developing the budget; communication channels from the budget office to other district divisions; departments and school sites; and adherence to a sound operating structure. Defined roles, responsibilities and commitment to board policy that govern the process for budget development and monitoring is essential to ensuring that the working budget accurately reflects current financial activity and accurately projects the impact on available fund balance and required reserve levels.

The following shows a breakdown in each element listed above.

- Absent a definitive structure to approve exceptions for overspending site or department budgets, several personnel are authorized to make decisions that have a budgetary impact prior to governing board approval.
- Reductions by the governing board targeted at the district office caused severe shortages in staffing levels especially in the Budget and Finance departments. This has given the department insufficient time to analyze and monitor the budget, plan and incorporate multiyear financial projections or provide sufficient training to staff.
- The overwhelming volume of work with limited staff has forced employees to react to budget issues instead of taking a proactive approach to monitoring budgets to actual expenditures.
- Although the district has the option of restricting spending through a "hard coded stop" at the requisition level if there is insufficient budget authority, accounts are often overridden without consequences to those who knowingly overspend their budgets. Exceptions are consistently occurring at the administrative level, which has contributed greatly to district overspending.

- Information does not always filter to the appropriate budget/finance personnel in a timely manner to ensure the budget can be updated and maintained appropriately.
- The inability to properly analyze budgets has caused the district to be out of compliance with spending protocols in federal and state programs based on audit findings.
- The district encumbers salary and benefits in the payroll system from the position control system; however, the position control system does not interface with the budget system. The district should ensure that budget and payroll are interfaced with position control and that periodic internal audits are conducted, discrepancies adjusted and management reviews the findings.

The district should provide more training for all personnel and board members to enhance their school finance knowledge. This will make the presentations more understandable and help the board ask questions that will enhance their understanding of the budget and multiyear financial projections.

Special education costs continue to rise significantly. Possible reasons include the high turnover in administrative staffing; the inability to control costs; and the inability to implement planned reductions such as eliminating contract nursing. As previously mentioned in section nine above, the board should consider an in-depth review of the special education program to assess cost containment and continue to maintain a free appropriate public education for disabled children.

The district should address issues identified throughout this report that have a major impact on its budget.

Overall Rating:

No

15. Retiree Health Benefits

- | | |
|---|-----|
| • Has the district completed an actuarial valuation to determine the unfunded stability under GASB 45 requirements? | N/A |
| • Does the district have a plan for addressing the retiree benefits liabilities? | N/A |
| • Has the district conducted a re-enrollment process to identify eligible retirees? | N/A |

The district does not have retiree benefits; therefore, there is no requirement for GASB 45.

Overall Rating:

N/A

16. Leadership/Stability

- Does the district have a superintendent and/or chief business official who has been with the district more than two years? No
- Does the governing board adopt and revise understandable and timely policies and support the administration to ensure implementation? No
- Does the superintendent adopt and revise understandable and timely administrative regulations and ensure that adopted board policies and approved administrative regulations are communicated to staff and followed? No
- Does the governing board refrain from micromanaging district administration and staff? No

An important component of district stability is a culture and practices that promote and support systematic reform, innovative leadership and high expectations to improve student learning. The district has had five superintendents in the last nine years.

This fiscal year, the comptroller and chief financial officer positions were vacated, and the district has elected not to fill these critical positions until a later date. The duties and responsibilities of these high-level business positions were reassigned to other accounting and business personnel.

Each new superintendent has implemented changes to educational programs and budget management, particularly with staffing and expenditure exceptions. Employees interviewed perceive that changes have been based on these past administrators' personal interests, which at times have clashed with some board members and other administrators, creating an atmosphere that has been harmful to the district's growth and stability.

When senior administrative positions are constantly changing because of turnover in key management positions, employees assigned to budget management are in an environment of constant flux making it difficult, if not impossible, to present a reliable financial position for the district.

Based on the information in this report, the district has lost control of its spending, allowing school sites and departments to ignore and override board policies by spending beyond their budgets. In many cases, board policies are knowingly ignored and/or circumvented without consequences. During the former superintendent's tenure, this behavior has permeated to the site administration, causing a lack of consistency in appropriate site size, staffing, class offerings and budgets. The principals' accountability to district administration has eroded to the point that they criticize district administrators in open board sessions.

CSBA board standards states the following:

The primary responsibilities of the board are to set a direction for the district, provide a structure by establishing policies, ensure accountability and provide community leadership on behalf of the district and public education.

While the board has updated many board policies, school sites and some district level departments reportedly fail to follow them, and senior administrators do not believe the board supports them in enforcing these policies and/or regulations.

The school board should follow CSBA standards that recommend boards function as one body with a common message. The following CSBA standard has not been consistently followed:

School districts and county offices of education are governed by boards, not by individual trustees. While understanding their separate roles, the board and superintendent work together as a “governance team.” This team assumes collective responsibility for building unity and creating a positive organizational culture in order to govern effectively.

Requests for information should come from the board as a governing body not from individual board members without the knowledge of other board members. Issues of clarification should follow a prescribed process in open session, or questions should be developed before board meetings and given to the superintendent for distribution to the appropriate staff member.

Overall Rating:

No

17. Charter Schools

- Has the district identified a specific employee to be responsible for ensuring that adequate oversight occurs for all approved charter schools? Yes
- Has the charter school submitted the mandated financial reports on time? Yes
- Has the charter school commissioned an independent audit? Yes
- Does the audit reflect findings that will not impact the fiscal certification of the authorizing agency? Yes
- Is the district monitoring and reporting the current status to the board to ensure that an informed decision can be made regarding the reauthorization of the charter? Yes

The district has a separate charter division and identified employees that correspond directly with each of the 37 active (two closed in 2016-17) charter schools. Checklists for timely submission of information are logged for each charter school. When necessary, letters or notice of concern/violation identifying specific concerns are sent to the charter school administration. A “Summary Checklist” is a document created by the charter school division staff to measure each charter school’s financial condition. Special notes pointing out unusual variances, such as mergers or grade level additions, accompany the financial analysis for the charter school.

The district calculates several financial ratios for each charter that cover multiple fiscal years to monitor the fiscal condition and provide a trend analysis at a glance. It tracks reporting timelines and requirements for each charter school to ensure timely submission of budget and interim report filings.

The charter school division has an organization system of data collection and analysis. Charter schools are encouraged to communicate with various trained staff members for assistance and guidance.

Each charter school is required to have an annual independent audit. The charter school division reviews the findings and recommendations and follows up on corrective action(s) when appropriate.

In some instances, the audit reports have findings that will not affect the fiscal certification yet charter division staff provide assistance to the charter schools to enhance protocols, policies and procedures to avoid future audit findings.

The charter school division updates the governing board timely on the status of all charter schools the board authorized.

Overall Rating:

Yes

18. Internal Controls and Annual Independent Audit Report

- Does the district implement appropriate measures to discourage and detect fraud? No
- Did the district receive an independent audit report without material findings? No
- Can the audit findings be addressed without affecting the district's fiscal health? Yes
- Has the independent audit report been completed and presented within the statutory timeline? Yes
- Are audit findings and recommendations reviewed with the board? Yes
- Did the audit report meet both GAAP and GASB standards? No

Internal controls are designed to adequately prevent, discourage and detect fraud and safeguard district assets. Effective internal controls provide reasonable assurance that operations are efficient and effective. Properly functioning internal controls are intended to discourage and detect fraud in a timely manner allowing management to respond. Operational internal controls provide a framework and structure for an organization's employees to function within clearly identified areas of authority and responsibility for appropriate approvals.

The district employees interviewed indicated the organization practices ethical behavior; however, several employees cite numerous staff reductions and turnovers at the central office level, creating a stressful work environment with overworked employees. Of concern is turnover and vacancies in key management positions, most notably the comptroller and chief financial officer vacancies approximately six months at the time of FCMAT's fieldwork. The duties and responsibilities have been reassigned to other staff members, which may not provide sufficient separation of duties.

Many employees report a lack of consistency and continuity with district policy and procedures. Examples include: lack of supporting documentation for accounts payable, spending beyond site/department budgets and lack of supporting documentation for payment of vendor invoices. School sites and departments are reportedly not held accountable for exceeding their budgets, and personnel additions are authorized without sufficient budget to support these positions.

The most recent audit report for the year ending June 30, 2016 identifies internal control findings consistent with FCMAT's findings and was filed timely. In addition, the findings were distributed to the appropriate district staff member for resolution and provided to the governing board. Except for one audit finding in ASB finding 2016-001, the district complied with GASB and GAAP requirements for financial reporting.

The auditor issued a qualified opinion on the district's financial statements and a material weakness in the internal controls; a qualified opinion and significant deficiency with respect to certain federal programs; and qualified opinion on state compliance. A detailed listing of these findings is provided in the tables below. None of the findings have a material impact on the district's fiscal health.

The table below is the independent auditor's schedule of findings and questioned costs that form the basis of their qualified opinion on federal programs where the auditor "identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies."

Finding	Program Name	Compliance Requirement
2016-004	Title I; Title II; 21st Century; Special Education; National School Lunch Program; Child and Adult Care Food Program; and Child Care.	Procurement, suspension and debarment.
2016-005	Title I	Special tests and provisions.

The following is the independent auditor's schedule that forms the basis of the auditor's qualified opinion on state compliance:

2016-006 – State Programs	After School Education and Safety
2016-007 – State Programs	School Accountability Report Card
2016-008 – State Programs	Local Control Funding Formula Pupil Count
2016-009 – State Programs	Educator Effectiveness

The following is the independent auditor's schedule of findings and questioned costs related to internal controls:

2016-001 – ASB Not resolved from prior year audit.	Financial Statement Presentation of Fiduciary Funds, ASB	The District has not prepared a summary of the Associated Student Body (ASB) funds in an auditable format.
2016-002 – Fiduciary Fund 76 Not resolved from prior year audit.	Financial Statement Presentation of Fiduciary Funds, Fund 76 Reconciliation Code	Monthly reconciliation process for the fiscal year ended June 30, 2016 was not being satisfactorily completed.
2016-003 – Human Resources/ Payroll Not resolved from prior year audit.	Human Resources/Payroll Internal Control Findings Code	The district has established internal controls designed to ensure completeness and accuracy regarding the reporting of employee information to the medical and pension benefit providers but is not always maintaining such documentation in auditable form.

The district has made significant progress during the last two fiscal years resolving past audit findings and ensuring timely reporting.

Overall Rating:

Yes

19. Facilities

- Has the district passed a general obligation bond? Yes
- Has the district met the audit and reporting requirements of Proposition 39? No
- Is the district participating in the state's School Facilities Program? Yes
- Does the district have sufficient personnel to properly track and account for facility-related projects? Yes
- Has the district met the reporting requirements of the Williams Act? Yes
- Is the district properly accounting for the Routine Repair and Maintenance Account requirement at the time of budget adoption? Yes
- Does the district prioritize facility issues when adopting a budget? Yes
- If needed, does the district have surplus property that may be sold or used for lease revenues? Yes
- If needed, are there other potential statutory options? Yes
 - Joint Use: Can the district enter into a joint use agreement with some entities without declaring the property surplus and without bidding?
 - Joint Occupancy: The Education Code provides for a joint venture that can authorize private development of district property that will result in some educational use.
- Does the district have a long-range facilities master plan that was completed or updated in the last two years? No

The district has passed two school facilities improvement bond measures. Measure B, passed in June 2006, for \$435 million and most recently Measure J, passed June 2012, for \$475 million. Bond expenditures are restricted to projects described in the official bond measures project list as approved by the governing board.

The Independent Citizens Oversight Committee, as required by Education Code Section 15278, is an advisory committee made up of at least seven members (Oakland Unified has nine members) comprised of local citizens. The purpose is to inform the public about bond expenditures; review and report on the proper expenditure of taxpayers' money for school construction projects; advise the public whether the school district complies with state requirements; ensure that no funds are used for teacher or administrative salaries including any school operating expenses; receive and review the annual independent audit report; inspect and visit project sites, and review district plans for cost saving measures.

An important component of the committee's work is posting annual reports to the district's website for public review. Annual reports posted on the district's website

go through June 5, 2015. Although not published on the district's website, FCMAT was provided with the August 2016 annual report, committee minutes, as well as appointments and reports which can also be located on the district's webpage at <https://ousd.legistar.com/Legislation.aspx>.

A board item posted for the April 3, 2014 board meeting shows that Measure G audits for fiscal years 2010-11 through 2012-13 had not been completed. The status of completion was discussed with the governing board. FCMAT was not provided with audit reports for the bonds, and a review of district board minutes posted on the website did not reveal recent audit reports. The district may be out of compliance in this area. It is imperative that the district post all audit reports on the website for public inspection and comply with state audit timelines.

The district has several small school sites that could be utilized as joint-use, joint-occupancy or surplus property. The governing board would need to take formal action to investigate these options.

Five employees, including a bond analyst and a financial manager, report to the deputy chief, who administers the Facilities Planning and Management Department. To maintain all school facilities of the district, the district is required to fund the Restricted Routine Maintenance Account (RRMA). During the phase-in period established by legislation, the calculation for 2016-17 is the lesser of 3% of the total general fund expenditures for the annual budget, or the amount deposited in the RRMA account in 2014-15. FCMAT tested the RRMA contributions based on the district's adopted budget. Budgeted general fund expenditures and transfers out total \$520,262,634; therefore, the 3% requirement would be \$15,607,879. The district's annual budget has \$13,548,405, or 2.6%, identified for RRMA contributions. Because FCMAT was not provided with the 2014-15 contributions, the district should ensure that the requirements are met for 2016-17 in accordance with the phase-in requirements.

The department reports that completed work orders decreased from 2015-16 to 2016-17 and attributes this to establishing defined departmental guidelines that distinguish the work considered routine repairs from normal maintenance. Open work orders have increased during this same time period. The district indicated that this occurred for several reasons including nine vacancies unfilled because of a hiring freeze; several department employees on medical leave; no substitute pool to replace workers; and no authorization for overtime.

The last facilities master plan was published in 2012. On October 5, 2016, district administration presented to the bond oversight committee an academic master plan that aligns Measures A, B and J with educational needs particularly in the areas of class size reduction and technology. The following is an excerpt from this meeting:

This will be an update to the 2012 long range master planning related to the planning and construction of additions to existing school sites; modernization; reconstruction; demographic study; attendance boundaries; school site grade configuration; feeder patterns; ADA assessment; educational programs and alignment with District's Pathway to Excellence 2015-2020 Strategic Planning; facility condition assessment; and site capacity assessment.

District administration anticipates publishing the new plan in fall 2017.

Overall Rating: Yes

20. General Ledger

- Does the district record all financial activity for all programs accurately and in a timely manner, ensuring that work is properly supervised and reviewed? Yes
- Has the district closed the general ledger (books) within the time prescribed by the county office of education? Yes
- Does the district follow a year-end closing schedule? Yes
- Have beginning balances in the new fiscal year been recorded correctly for each fund from the prior fiscal year? No
- Does the district adjust prior year accruals if the amounts actually received (A/R) or paid (A/P) are greater or less than the amounts accrued? No
- Does the district reconcile all suspense accounts, including payroll, at the close of the fiscal year? Yes

Based on FCMAT's limited review, all financial activity is recorded timely and accurately; however, communication has broken down between the budget and accounting offices, making it possible for financial information to be delayed, making cash reconciliation more difficult and causing the timing of financial transactions to cross fiscal periods.

Communication breakdown between various central office departments and sites make it possible for the coordination of new funds to be delayed in the budget and accounting offices, creating an impact on cash flow and inclusion of grant information in financial presentations.

The district follows a year-end closing schedule and has complied with the closing timelines at year-end.

As noted by the Alameda County Office of Education in its letter dated May 8, 2017, the beginning balances for 2016-17 are incorrectly stated. This must be corrected before the district can close its books for the 2016-17 year because it will cause a "fatal" error in the SACS software, preventing the district from reporting to the state.

Although most accruals and due to/from beginning balances have been reversed, not all have been cleared. The best practice is to reverse all prior year accruals, due to/from, and unearned revenue before the second interim reporting period and no later than January 31 of each fiscal year. Any variances should be properly investigated.

District staff reconciles all suspense accounts during the closing schedule.

Overall Rating:

Mixed

FCMAT's overall rating is summarized in the following table.

Section	Title	Rating
1	Deficit Spending	No
2	Fund Balance	No
3	Reserve for Economic Uncertainty	No
4	Enrollment and Attendance	Mixed
5	Debt	Yes
6	Cash Monitoring	Mixed
7	Bargaining Agreements	No
8	General Fund	Mixed
9	Encroachment	No
10	Management Information Systems	Yes
11	Position Control and Human Resources	No
12	Budget Development and Adoption	Yes
13	Multiyear Projections	Yes
14	Budget Monitoring and Updates	No
15	Retiree Health Benefits	N/A
16	Leadership/Stability	No
17	Charter Schools	Yes
18	Internal Controls and Annual Independent Audit Report	Yes
19	Facilities	Yes
20	General Ledger	Mixed

District scores are summarized as follows:

No responses	8
Yes responses	7
Mixed	4
Not applicable	1
Total	20

Summary

The district budget is the responsibility of the governing board. Senior management must present sound financial information supported by trend analysis, budget assumptions and multiyear projections based on accurate information for the board to make informed decisions.

Throughout this report, FCMAT has identified leadership breakdown at the governing board and superintendent levels, including the board's inadequate attention to signs of fiscal distress and refusal to consolidate small school sites, allowing school sites full autonomy to make decisions that impact auxiliary services. The board would benefit from in-depth governance training.

There are signs of fiscal distress for Oakland Unified School District. Of particular concern is deficit spending, substantial reductions in fund balance, inadequate reserve levels, approval of bargaining agreement beyond cost-of-living adjustments, large increases in contributions to restricted programs especially in special education, lack of oversight for position control that allows positions to be added before verification of funding and board approval, breakdown in leadership with excessive turnover, and the inability of the governing board to hold accountable administrators that have been allowed to overspend budgets and override board policy.

The district should take immediate action to avoid further erosion of the district's reserve levels and possible fiscal emergency.

Subsequent Events

Following FCMAT's fieldwork and as this report was being written, the district approved the 2017-18 adopted budget. According to narrative documents provided by the district, budget reductions at the district's central office divisions totaled \$17.6 million. FCMAT notes the following adjustments when comparing the 2016-17 third interim report to the 2017-18 adopted budget:

1. Combined revenues increased \$1.8 million.
2. Combined expenditures decreased by \$8.8 million
3. Indirect costs increased by \$1.1 million to offset operating expenditures, and
4. Contributions to restricted programs decreased by \$2.6 million.

Fund balance increased by \$8.1 million overall based on these budget adjustments and assumptions. FCMAT did not review support documentation and therefore has no opinion on the validity of the projections or assumptions.

Appendix

A: Study Agreement

Appendix A - Study Agreement



CSIS California School Information Services

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT April 24, 2017

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Oakland Unified School District, hereinafter referred to as the district, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). The district has requested that the team assign professionals to study specific aspects of the district's operations. These professionals may include staff of the team, county offices of education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this agreement.

In keeping with the provisions of Assembly Bill 1200, the county superintendent will be notified of this agreement between the district and FCMAT and will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis, and determine the district's risk rating.

B. Services and Products to be Provided

1. Orientation Meeting - The team will conduct an orientation session at the district to brief district management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review - The team will conduct an on-site review at the district office and at school sites if necessary.
3. Exit Meeting - The team will hold an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.

4. Exit Letter – Approximately 10 days after the exit meeting, the team will issue an exit letter briefly memorializing the topics discussed in the exit meeting.
5. Draft Management Letter - Electronic copies of a preliminary draft management letter will be delivered to the district’s administration for review and comment.
6. Final Management Letter - Electronic copies of the final management letter will be delivered to the district’s administration and to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.
7. Follow-Up Support – If requested by the district within six to 12 months after completion of the study, FCMAT will return to the district at no cost to assess the district’s progress in implementing the recommendations included in the management letter. Progress in implementing the recommendations will be documented to the district in a FCMAT management letter. FCMAT will work with the district on a mutually convenient time to return for follow-up support that is no sooner than eight months and no later than 18 months after completion of the study.

3. PROJECT PERSONNEL

The FCMAT study team may also include:

- | | |
|----------------------------|-------------------------|
| <i>A. To be determined</i> | <i>FCMAT Staff</i> |
| <i>B. To be determined</i> | <i>FCMAT Consultant</i> |
| <i>C. To be determined</i> | <i>FCMAT Consultant</i> |

4. PROJECT COSTS

The cost for studies requested pursuant to Education Code (EC) 42127.8(d)(1) shall be as follows:

- A. \$650 per day for each staff member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.
- B. All out-of-pocket expenses, including travel, meals and lodging.
- C. The district will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon the district’s acceptance of the final management letter.

Based on the elements noted in section 2A, the total not-to-exceed cost of the study will be \$30,000.

- D. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT's services are payable to Kern County Superintendent of Schools - Administrative Agent located on 1300 17th Street, City Centre, Bakersfield, CA 93301.

5. **RESPONSIBILITIES OF THE DISTRICT**

- A. The district will provide office and conference room space during on-site reviews.
- B. The district will provide the following if requested:
1. Policies, regulations and prior reports that address the study scope.
 2. Current or proposed organizational charts.
 3. Current and two prior years' audit reports.
 4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
 5. Documents should be provided in advance of field work; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the district will upload all requested documents.
- C. The district's administration will review a preliminary draft copy of the management letter resulting from the study. Any comments regarding the accuracy of the data presented in the management letter or the practicability of the recommendations will be reviewed with the team prior to completion of the final management letter.

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

6. **PROJECT SCHEDULE**

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

Orientation:	to be determined
Staff Interviews:	to be determined
Exit Meeting:	to be determined
Preliminary Management letter Submitted:	to be determined

Final Management Letter Submitted:	to be determined
Board Presentation:	to be determined, if requested
Follow-Up Support:	if requested

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its management letter, subject to the cooperation of the district and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a preliminary draft management letter and a final management letter. Prior to completion of fieldwork, the district may terminate its request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the district does not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its management letter and the district will be responsible for the full costs. The district understands and agrees that FCMAT is a state agency and all FCMAT management letter or reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a management letter or report once fieldwork has been completed, and the district shall not request that it do so.

8. INDEPENDENT CONTRACTOR

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

9. INSURANCE

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

10. HOLD HARMLESS

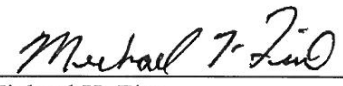
FCMAT shall hold the district, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the district shall hold FCMAT, its board, officers,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

11. CONTACT PERSON

Name: James Harris, Board President
Telephone: (510) 879-8200
E-mail: james.harris@ousd.org

 5/9/17

Dr. Devin Dillon, Interim Superintendent Date
Oakland Unified School District

 April 24, 2017

Michael H. Fine Date
Chief Administrative Officer
Fiscal Crisis and Management Assistance Team

ATTACHMENT B



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OUR NORTH STAR

What do we want to be true for Oakland students when they graduate our public schools and enter a rapidly changing world?

VISION: All OUSD students will find joy in their academic learning experience while graduating with the skills to ensure they are caring, competent, fully-informed, critical thinkers who **are prepared for college, career, and community success.**

Oakland graduates will face a rapidly changing world that their grandparents would scarcely recognize. However, Oakland graduates will be ready to thrive in this world because they will be:

- **Resilient Learners** who cultivate positive identity based on personal and cultural assets;
- **Collaborative Teammates** who communicate clearly and effectively, honor others, and build networks;
- **Community Leaders** who analyze complex issues with a race, gender, and equity lens and take action to address societal issues;
- **Critical Thinkers** who demonstrate mastery of college and career skills and present evidence based arguments using various sources, and;
- **Creative Designers and Problem Solvers** who use innovation to solve complex problems and adapt to constructive critique.

MISSION: To become a **Full Service Community District** focused on high academic achievement while serving the **whole child, eliminating inequity**, and providing each child with **excellent teachers**, every day.

In order to be a Full Service Community School District we need Quality and Sustainable Community Schools in every neighborhood. Every school in our city should have¹:

- 1) Quality Learning Experiences for All Students
- 2) Safe, Supportive & Healthy Learning Environments
- 3) Learning Communities Focused on Continuous Improvement
- 4) Meaningful Student, Family & Community Engagement/Partnerships
- 5) Effective School Leadership & Resource Management
- 6) Support from a High Quality Central Office That Is In Service of Quality Schools

¹ Oakland Unified School District has developed [Quality School Standards](#) in 2012 through a multi-stakeholder engagement process. A key strategy of this plan is to update these standards and use our California State Dashboard as a guide for a school review process for both district and charter schools.

FROM OUR SUPERINTENDENT

Dear Community,

OUSD is no stranger to challenges. Anyone who has lived in this community for some time or worked in service of our students knows this. In fact, I was looking through some old newspaper stories detailing OUSD's past troubles with finances, state control, and labor unrest. Some read as though they could be written today.

When I took on the role of Superintendent less than two years ago, after serving as teacher and principal in this district for over a decade, I knew the path forward would be difficult, but I wanted this job because I love this community and want our kids to succeed. This is my home and just like many of you, I'm raising my family in Oakland and my children attend our schools. I also took on this immense challenge because I deeply believe it's possible to serve all of our students. A quality education is essential for life success and we want to ensure that all students are prepared to become socially conscious global citizens.

Like many of you, I am tired of having the same conversations and controversies, year after year, for decades. If we are going to finally address these issues, we must lean in and fundamentally change how Oakland does business. And I am committed to doing it.

OUSD is far from perfect; mistakes have been made, but we are prepared to learn from our past, face the tough set of challenges ahead of us, and create a new path forward. Our biggest hurdle by far is consistently delivering a high quality education to every student in every school in our district, in a sustainable manner that is within our fiscal means. Today, we are severely challenged to do so. The bottom line is that OUSD has too many schools for the number of students we serve. And many of our students are not and will not be served by a quality school in their neighborhood unless we correct course. Enrollment is flat and family living patterns are changing in various communities across the city. Currently, 11,000 seats are empty across our District-run schools and the current cost of buildings, utilities, and staff is not sustainable long term. Our lack of sustainability hinders our ability to deliver the highest quality education to every student. As a result, we have significant and persistent financial issues that must be addressed.

While we address our structural deficit, we must also continue to transform our schools as more Oakland families actively seek innovative school programs. If parents don't find the school options they are looking for within OUSD, they will vote with their feet and look outside of our district.

We all want well-resourced, high quality schools with innovative programs in every neighborhood. And, to create the necessary conditions in all of our schools, the following must be true:

1. All schools must have high quality teachers and principals, which means we need to compensate employees competitively on an ongoing basis to retain our best talent.

2. All schools must be adequately staffed, so we can support teachers and leaders in creating a quality learning environment for students.
3. All schools must have sufficient academic and enrichment resources and programs.

To invest more in our schools so they are properly resourced and staffed and to reimagine our school programming options requires us to engage in the tough and painful work of both right-sizing our school district--getting to fewer schools, of a sustainable size, with more resources--WHILE reimagining the type of school programs we offer.

If our students are going to ultimately win, we must come together and make the difficult decisions so that we create the right conditions for a high quality public school district that will better serve our families now and attract more families in the future.

While the decisions we propose will impact everyone in our district, I want to acknowledge that this will be a more painful experience for the students, families and staff who will need to move from their current schools. I understand what it means to disrupt an element of life that usually provides stability and safety, both physically and emotionally. In some cases, generations of families have attended the same school. Relationships may have to change and oftentimes, it's these disruptions that have the hardest impact. That is why we are not just "doing this by the numbers." We are making our decisions guided by our mission and vision and more importantly, we are committed to finding ways that invite those who will experience change to collaborate and have agency on some design elements of these transitions.

My true hope is that those old OUSD headlines focused on turmoil and dysfunction become a thing of the past and that we take this opportunity to write a new narrative for OUSD, one of optimism and progress.

Respectfully,



Dr. Kyla Johnson-Trammell
Superintendent

BACKGROUND

Oakland is a city with a lot of pride and soul. It is a city which launches movements. Immigrants from around the world live next door to families who have lived here for generations. A booming technology sector is bringing new growth and innovation to the city.

Our school district is no different. We have some of the smartest, most innovative, dedicated and diverse students and staff in the county. Many of our programs are national models.

OUSD serves just over 36,000 students in grades TK-12 at 87 District-run schools and our student population reflects Oakland, one of the most ethnically and linguistically diverse cities in the United States. 89% of our students are students of color, the largest groups being Latino (42%) and African American (24%). We are also a multilingual and multicultural Sanctuary District where everyone is welcome; more than 50% of OUSD students speak a language other than English language at home, and 33% of our students are English Language Learners.

Nonetheless, OUSD faces the same challenges as any high-need urban district in this country. Nearly 75% of our students are low income, and most would be the first generation in their families to go to college. 12% of our students receive Special Education services and 13% of students live in public subsidized housing.

We have been diligently seeking change for our district for a long time, yet some of the quality, financial and safety issues we face today are the same issues we have been facing for decades. Now is the time to address our reality - the challenges and the opportunities - to make bold changes as an entire community to ensure we are a district where every family is confident their child is receiving the best education.

While many of our students face barriers to fully engaging and succeeding in school, OUSD has shown some of the greatest improvement in student achievement of any large urban district in California over the past decade, and including recent gains in graduation rates, reading, and English Language Learner fluency.

OUR CHALLENGES

OUSD is facing severe budget challenges, central office operational effectiveness needs, and a disproportionate facilities footprint to the size of our student population. We must simultaneously make improvements in financial stability and key central office systems and functions to support high quality teaching and learning across the district.

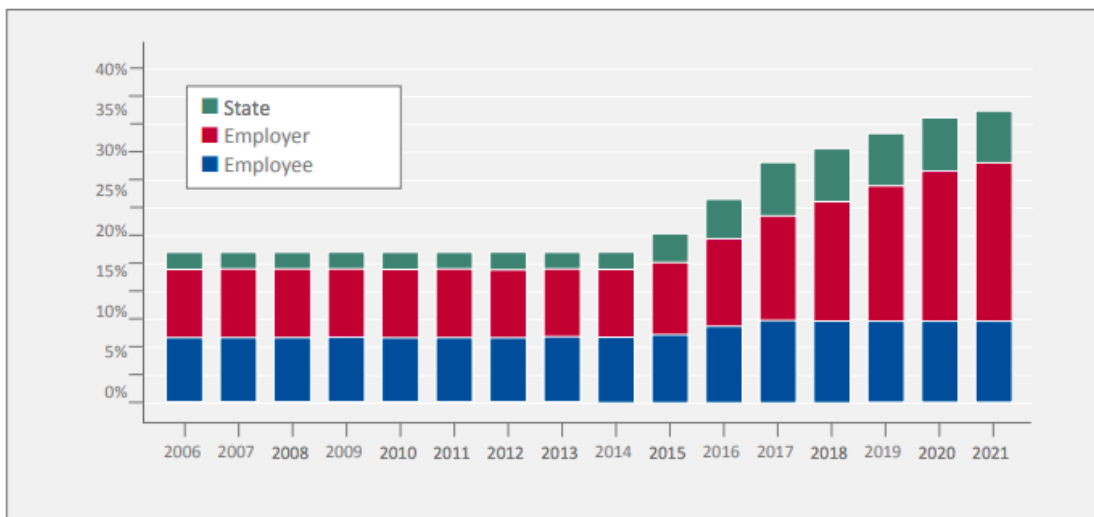
Budget Pressures

Nationally, California ranks in the bottom quartile per pupil funding, despite having the 5th largest economy in the world.² Additionally, there are state and local issues which bring increased costs, such as pension, salary and benefits costs.

² California School Board Association, "California Education Funding, Students Deserve Better", Manuel Buenrostro, August 2017.

State-level Issues:

Rising Pension Costs: OUSD’s growth in pension contributions to CalSTRS, California’s teacher retirement system, continue to rise. In 2013-14 California school districts contributed 8.25% of teacher salaries to the CalSTRS pension fund. In 2021, the rate school districts will pay will be 19.1% of teacher salaries into the system³. For example, in 2013-14 if OUSD paid \$10,000 in salary directly to a teacher, OUSD contributed an additional \$825 to the pension fund. In 2020-21, OUSD’s projected contribution on the same salary will be \$1910. CalPERS, California’s other retirement for other public employees system shows similar rates of growth.



Data: CalSTRS’ actuarial valuation reports and Assembly Bill 1469.

Notes: Projections are as legislated by Assembly Bill 1469. The projected average employee contributions depend on the proportion of CalSTRS members in each tier of the plan (who are scheduled to pay different rates under AB 1469). Estimates here are based on rough projections of member demographics from CalSTRS’ actuarial valuation reports. Although employee contribution rates remain the same for each tier from 2017 onward (unless normal costs rise substantially, which we do not allow for in the graph), the estimated average member contribution rate decreases slightly over time as more second-tier members enter.

Fig. Realized and Projected CALSTRS Statutory Contributions 2006-2021

Rising Special Education Costs: Rising special education costs are not limited to OUSD: “[s]ince 2005-06, school districts’ portion of paying for special education in California has risen 100 percent, from \$4.1 billion to \$8.1 billion. Overall costs of special education have increased 55 percent, from \$8.5 to \$13.17 billion.”⁴ OUSD follows this state wide trend.

Fig. OUSD Special Education Costs Over time

	2013-14	2018-19	% Increase
# Students in Special Education	5,085	6470 (+896 pending)	+21.4%

³ https://gettingdowntofacts.com/sites/default/files/2018-09/GDTFII_Brief_Pensions.pdf

⁴ <https://edsources.org/2017/parents-strongly-object-to-report-calling-for-local-funding-of-special-education/579265>

General Fund Contribution to Special Education	\$34.2 million	\$50.8 (projected)	+32.7%
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Local-level Issues:

Budget Development and Management: We now know that the current OUSD budget crisis was precipitated by a combination of past administration overspending, long-standing issues in OUSD’s financial systems related to internal controls, position control, and budget monitoring, as well as supporting too many schools for our number of students. In her first year, Superintendent Kyla Johnson-Trammell immediately moved to address the crisis and brought in third party expertise to identify the issues and create a plan to stabilize the District. The result can be found in the public FCMAT reports and OUSD Fiscal Vitality Plan (see appendix).

Declining Enrollment and Underutilized Schools: Our enrollment has been hovering around 36,000 for the last five years. However, in 1999-2000, there were 54,068 students in 87 District-run schools. From 2000-2007, 47 new schools were created, and 29 schools were closed, merged, replaced, or in the case of six of these schools, converted to charters. At the high point in 2009-10, OUSD had 106 District-run schools serving 38,360 students -- a net increase of 19 schools since 1999-2000. Today, we have the same number of District-run schools as we did in 1999-2000, with 17,000 fewer students.⁵

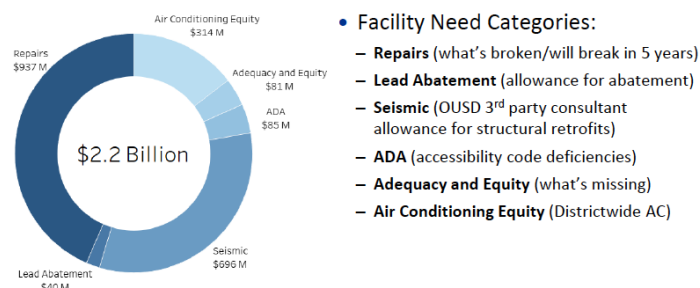
This means that many of our schools are under enrolled and unsustainably small. According to the most recent analysis, there are nearly 11,000 empty seats across our District-run schools. Having too many schools with low enrollment prevents us from reaching our North Star. Simply put, we are spreading our resources too thin. Maintaining the status quo will not improve outcomes for our students. The cost of buildings, utilities, and staff is not sustainable.

Aging Facilities:

Along with a large number of schools is the related short and long-term maintenance of those facilities. In looking at capital needs, a recent analysis identified \$2 billion in necessary repairs.

OUSD Capital Needs top \$2 Billion

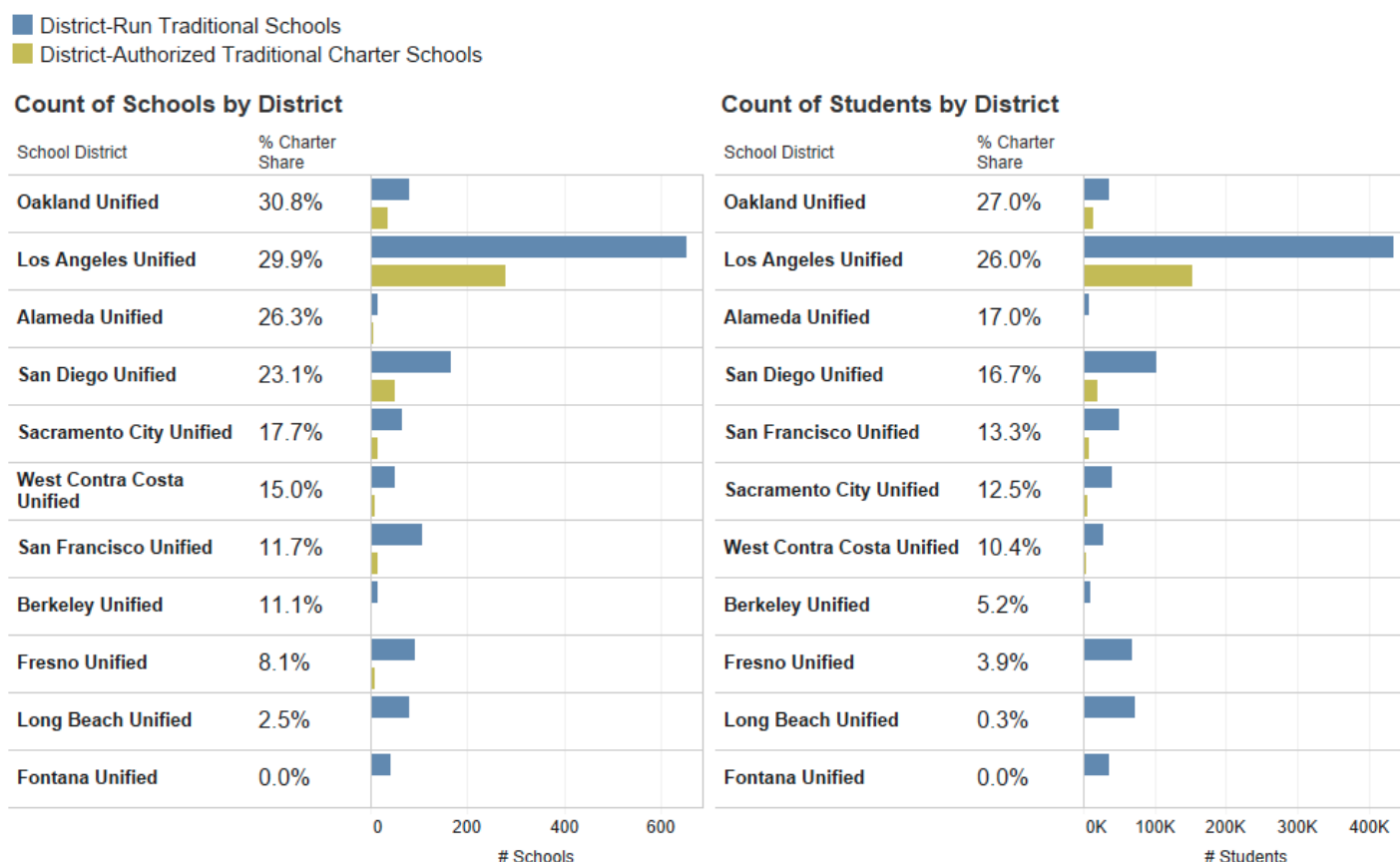
Fig. OUSD Projected Capital Projects



⁵ In 2000, the Board passed a New Small Autonomous Schools District Policy (in partnership with Oakland Community Organizations and the Bay Area Coalition for Equitable Schools) to create up to ten new small schools during a time of severe overcrowding and underperforming schools in the heartlands. At that time, we had some multi-track, year round elementary schools with 1,000 to 1,500 students in facilities built for 500, and high schools like Fremont bursting at the seams. In total, between 2000-2007, 47 new District-run schools were created, and 29 schools were closed, merged, replaced by new schools, or converted to charters. At the high point in 2009-10, OUSD had 106 district-run schools serving 38,360 students -- a net increase of 19 schools since 1999-2000. As enrollment continued to decline, OUSD closed or merged 17 of schools between 2010 and 2013, in an effort to concentrate district resources in a smaller number of schools, and 3 schools converted to charters during this same period.

Charter Expansions: The proportion of students in charter schools in Oakland is much higher than the state average. In Oakland, in terms of enrollment, about 2/3 of students attend District-run schools and 1/3 of students attend charters schools. The Oakland charter sector has grown from approximately 1,000 students in 7 District-authorized charter schools in 1999 to its current level of 13,711 students in 34 District-authorized charter schools, plus another 2,948 students in 9 Alameda County-authorized charter schools (and 52 students in 1 state-authorized charter school).

Fig. Student and School counts by District. Official CDE enrollment data for 2017-18



The current mix of charter schools and District-run schools, combined with the requirements of Proposition 39, impedes OUSD's ability to make coherent long-term plans for its facilities footprint.

The intent of Proposition 39⁶ is that public school facilities should be shared fairly among all public school pupils, including those in charter schools. This law requires that the District provide facilities to Oakland charter schools who request space annually. The facilities that have available space for charter schools changes year to year, which creates instability for both District-run schools and charter schools.

The District must work together with charter schools to make every public school option a quality option.

GETTING TO OUR NORTH STAR

In order to reach our vision of all Oakland students being prepared for college, community, and career success and our mission of having a quality and sustainable school in every neighborhood, we need to make some important shifts in how we operate. At a high level, our three district priorities are: (1) organizational resilience; (2) fiscal vitality; and (3) quality community schools.

The Community of Schools **Citywide Plan** is focused on ensuring that there is a high quality, sustainable school offering the types of programs our families want in every neighborhood. To achieve that we must:

- Determine the right number and location of high quality schools and programs;
- Increase access and equity by establishing strong feeder patterns and partnering with charters to ensure that our highest needs students are being well served;
- Strengthen OUSD's role as a charter authorizer in terms of oversight and accountability for quality;
- Establish a clear definition of school quality to which all schools are held and share best practices across all public schools; and
- Redesign central office in support of school innovation to accelerate program diversity and the number of high quality school options

This work will be grounded in the following Board policies:

- Community of Schools Policy (6006)
- Quality Schools Development Policy (6005)
- Results Based Budgeting Policy (3150)
- School Governance Policy (3625)
- Assets Management Policy (7350)

The tables on the following page divide the work of the Citywide Plan into the five areas of work outlined in the Board's policy and our theory of change:

- A. Facilities
- B. Enrollment & Transportation
- C. Charter Authorization
- D. Sharing Best Practices
- E. Defined Autonomy

For each area, we lay out clear goals and key strategies for how we will achieve the outcomes we desire for

⁶[https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=I37D74210D48011DEBC02831C6D6C108E&originalContext=documenttoc&transitionType=Default&contextData=\(sc.Default\)](https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=I37D74210D48011DEBC02831C6D6C108E&originalContext=documenttoc&transitionType=Default&contextData=(sc.Default))

our students.

GOALS AND KEY STRATEGIES

<p>A. FACILITIES</p> <p>Goal 1: Provide a quality school in every neighborhood.</p> <p>Goal 2: Identify a fiscally sound number of schools.</p> <p>Goal 3: Generate revenue from surplus property.</p>	<p>Key Strategy 1: Implement the Blueprint for Quality Schools Action Plan which identifies 4 Cohorts of School Changes focused on increasing quality and sustainability across all OUSD schools. (2018-2023)</p> <p>Key Strategy 2: Create a Citywide Map that identifies a fiscally sound number of schools given OUSD's projected student population for 2023 and shows optimal locations for schools and where high quality options are needed. (2019)</p> <p>Key Strategy 3: Finalize an updated Facilities Master Plan and initiate a 7-11 Committee that will identify how to best leverage vacant, underutilized and surplus properties and utilize facility use agreements to strategically engage all Oakland public schools - District-run or charter. (2018-2019)</p> <p>Key Strategy 4: Identify Criteria for Long-Term Leases for Quality Charter Schools to support a more stable footprint of schools in our city. (2018-2019)</p>
<p>B. ENROLLMENT & TRANSPORTATION (Access and Equity)</p> <p>Goal 1: Create high quality and predictable feeder patterns across the city</p> <p>Goal 2: Create partnerships with Charter schools to increase equity of enrollment.</p>	<p>Key Strategy 1: Create a Citywide Map that articulates high quality neighborhood feeder patterns, including District-run and charter schools, with a focus on programming for students with special needs and newcomer students; both of which need specific programming. (2018-19)</p> <p>Key Strategy 2: Update the existing Board Policy on Enrollment to (1) prioritize access to quality for students coming from school consolidations (Opportunity Ticket) and (2) revisit the priority ranking to ensure more equity in access to quality schools. (2018-19)</p> <p>Key Strategy 3: Develop Charter Partnerships to commit to how District-run and charter schools will serve the same diverse populations of students, including students with</p>

<p>Goal 3: Increase Charter Participation in the OUSD SELPA.</p>	<p>special needs, Newcomers, unsheltered, low-income, foster, and English Language Learner students, as OUSD schools so that the highest needs students are not concentrated only in District-run schools. (2019-2021)</p> <p>Key Strategy 4: Examine a SELPA Expansion Process by which charter schools may rejoin the OUSD SELPA to increase state funding and increase coordination of services to our students with special needs. (2019-2023)</p>
<p>C. CHARTER AUTHORIZATION</p> <p>Goal 1: OUSD will strengthen its role in oversight and accountability of district authorized charter schools.</p>	<p>Key Strategy 1: Adopt a Board Policy on Charter Authorization that articulates how OUSD can strengthen its role in oversight and accountability to ensure that all charter schools operating in Oakland are providing a high quality education and working to address inequities at their schools. (2019)</p> <p>Key Strategy 2: Create and adopt Quality School Standards in order to have a common understanding of quality across all public schools in the city and to support continuous improvement. (2019)</p> <p>Key Strategy 3: Expand the role of the Charter School Office beyond compliance to establishing a vision for how charter public schools can contribute to a citywide vision of educational quality and how charter public schools will increase their responsibility for serving all students. (2018-2020)</p> <p>Key Strategy 4: Adoption by the Board of Education of its Legislative Principles and 2019 State Legislative Priorities, including Charter Authorization (see full list in the appendix).</p>
<p>D. SHARING BEST PRACTICES</p> <p>Goal 1: Identify a definition of quality for all public schools;</p>	<p>Key Strategy 1: Create and adopt Quality School Standards in order to have a common understanding of quality across all public schools in the city and to support continuous improvement. (2019)</p>

<p>District-run and charter.</p> <p>Goal 2: Share best practices and innovation across all public schools to improve equitable educational access for all Oakland students.</p>	<p>Key Strategy 2: Create a clear, transparent and robust Accountability System for both District-run and charter public schools. And use data to drive decisions and to inform the Continuous Improvement of schools. (2019-2023)</p> <p>Key Strategy 3: Develop Collaborative Opportunities for educators across the city to share best practices that improve equitable educational access for all Oakland students (e.g., professional development, recruitment and retention). (2020-2023)</p> <p>Key Strategy 4: Develop a Formal Structure for OUSD leadership and Charter leadership to meet regularly to discuss how to share responsibility and opportunities for Oakland students. (2019)</p>
<p>E. DEFINED AUTONOMIES</p> <p>Goal 1: Support continued innovation within OUSD schools to accelerate the number of high quality school options.</p> <p>Goal 2: Increase the opportunities of those closest to the school site to make decisions about improving outcomes for students.</p>	<p>Key Strategy 1: Partner with a Multiple Stakeholder Groups in learning from other cities and district models that have empowered their school sites. (2018-2019)</p> <p>Key Strategy 2: Develop and implement a Defined Autonomy Framework that identifies how OUSD can best support continued innovation within OUSD schools and accelerate the number of high-quality school options within OUSD (i.e., by providing District-run schools similar autonomies to charter schools). (2019-2020)</p> <p>Key Strategy 3: Create a clear, transparent, and robust Accountability System for both District-run and charter public schools. And use data to drive decisions and to inform the Continuous Improvement of schools. (2019-2023)</p> <p>Key Strategy 4: Reorganize Central Office in a way that allows for more resources and decision making to be held at the school sites and is grounded in practices of Continuous Improvement of central services to sites. (2018-23)</p>

2018-2019 TIMELINE

Date	2018-19 Board Meeting/Stakeholder Engagement
June, 2018	(6/27) Approved the Community of Schools Board Policy
September, 2018	(9/8) Special Retreat on Asset Management
November, 2018	(11/14) Provided an Update on the methodology used to create a Citywide Map
December, 2018	(12/5) Initial discussion on the Long Term Leases for Charters
January, 2019	(1/23) Roots/CCPA Change (first read) (1/28) Roots/CCPA Change (approval)
February, 2019	(2/13) Citywide Plan Report (first read) (2/27) Citywide Plan Report (approval)
March, 2019	(3/6) Quality School Standards and Blueprint Cohort 1 & 2 update (engagement plan) (3/13) Long Term Charter Lease Criteria (first read) (3/27) Long Term Charter Lease Criteria (approval)
April, 2019	(4/17) Citywide Plan Study Session: -Citywide Map (first read) -Blueprint Cohort 2 Financial Impact Analysis and other updates (4/24) Facilities Master Plan (first read)
May, 2019	(5/8) Defined Autonomies Framework (Presentation) (5/22) Citywide Map (approval) (5/22) Blueprint cohort 2 (approval) (5/22) Facilities Master Plan (approval) (5/22) 7-11 Committee Update

APPENDIX

Board Policy and Guiding Documents

[BP 6006 Quality School Development: Community of Schools](#)

[OUSD Government Theory of Action](#)

[OUSD School Quality Standards](#)

[Legislative Priorities](#)

Financial Documents

[FCMAT Report](#)

[OUSD Fiscal Vitality Plan](#)

Websites

www.ousd.org/citywideplan

www.ousd.org/blueprintforquality

www.ousd.org/fiscalvitality