



Urban Montessori Charter School

Finance Committee Regular Meeting

Published on October 18, 2021 at 12:56 PM PDT

Date and Time

Thursday October 21, 2021 at 3:00 PM PDT

Location

The committee will meet at school 4551 Steele Street, Oakland, CA 94611

The public may comment and participate [via Zoom](#) if they prefer. The public may also email comments to staceyw@urbanmontessori.org to be shared during the meeting.

Meeting ID: 510 290 4005; Passcode 5102904005

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Meeting ID: 510 290 4005

Find your local number: <https://us02web.zoom.us/j/5102904005>

Additional teleconference locations: 1623 Sunhill Ct, Martinez, CA 94553; 331 Ramona Ave, El Cerrito, CA 94530

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If you have any trouble getting on the Zoom, please text 510-290-4005 for support.

Members: Stacey Wang (Chair), Greg Klein, Davis Leung

Urban Montessori Charter School welcomes your participation at Board meetings. The purpose of a public meeting of the Board of Directors (“Board”) is to conduct the affairs of the organization in public. Your participation assures us of continuing community interest in our school and assists the Board in making the best decisions for our school. To assist you in the ease of speaking/participating in our meetings, guidelines are provided at the bottom of this agenda. All materials for all board and committee meetings, including audio recordings of Regular Board Meetings, are available on our [BoardOnTrack public portal](#) and also through the [UMCS School Calendar](#).

Agenda

	Purpose	Presenter	Time
I. Opening Items			3:00 PM
A. Call the Meeting to Order		Stacey Wang	
B. Record Attendance		Stacey Wang	1 m
C. Approve Minutes from prior Finance Committee Meeting	Approve Minutes	Greg Klein	1 m
Approve minutes for Finance Committee Regular Meeting on September 16, 2021			
D. Review of Action/Discussion Items	Discuss	Stacey Wang	1 m
With input from the committee, the Chair may decide, based upon a number of factors, to reorder the action/discussion items to best suit the needs of the meeting. No additional action/discussion items will be added at this time.			
E. Presentations from the Floor		Stacey Wang	5 m
PRESENTATIONS ON NON-AGENDA ITEMS – Any person wishing to speak to any item not on the agenda will be granted three minutes to make a presentation. Speakers requiring translation will be granted double time.			
II. Finance			3:08 PM
A. Discussion Item: Monthly Fiscal Report	Discuss	Bryce Fleming	15 m
1. Current year-to-date forecast updates: <ol style="list-style-type: none"> 1. Largest changes from the prior forecast in individual expense and revenue areas 2. Latest enrollment, attendance, and average daily attendance (ADA) 3. Current cash flow and ending fund balance projections, including COVID one-time revenue/expenses 4. Fundraising 			
B. Discuss long term budget and enrollment planning and scenarios	Discuss	Greg Klein	15 m
Discuss the context of local school system structural deficits. Discuss options and scenarios to ensure UMCS remains fiscally strong in the long term.			

	Purpose	Presenter	Time
C. ESSER III Expenditure Plan	Discuss	Bryce Fleming	5 m
Overview, process, timeline, requirements, feedback, and investments.			
DRAFT ESSER III Expenditure Plan - for approval by the Board in October 2021			
D. LCAP Supplement & Presentation Requirement	Discuss	Bryce Fleming	5 m
Overview, process, timeline, requirements.			
E. Contracts, invoices, and payments above \$15,000	Discuss	Greg Klein	5 m
Discussion of any contracts, invoices, and payments above \$15,000.			
F. Educator Effectiveness Plan	Discuss	Greg Klein	5 m
Plan to be reviewed in October and approved in December.			
G. Long Term Lease and Potential Facilities Investments	FYI	Buck Bailey	5 m
<ul style="list-style-type: none"> • Potential 10-year Lease opportunity 			

III. Closed Session 4:03 PM

A. Closed Session Items	Discuss	Stacey Wang	10 m
Public Employee Performance Evaluation - Head of School			
"Closed Session" is always agendized ahead of time as a "Discuss" item. If any votes are taken during any Closed Session, those are reported out publicly upon return to Open Session.			
B. Report out of Closed Session	Vote	Stacey Wang	2 m
"Return to Open Session" is always agendized ahead of time as a "Vote" item. It is not meant to indicate the the Board <i>shall</i> take an action at this time. If any votes are taken during any Closed Session, those are reported out publicly at this time on the agenda.			

IV. Closing Items 4:15 PM

A. New Business	Discuss	Stacey Wang	1 m
Collect topics for future meetings, as needed.			
B. Adjourn Meeting	Discuss	Stacey Wang	1 m

THE ORDER OF BUSINESS MAY BE CHANGED WITHOUT NOTICE Notice is hereby given that the order of consideration of matters on this agenda may be changed without prior notice.

REASONABLE LIMITATIONS MAY BE PLACED ON PUBLIC TESTIMONY The Governing Board's presiding officer reserves the right to impose reasonable time limits on public testimony to ensure that the agenda is completed.

SPECIAL PRESENTATIONS MAY BE MADE Notice is hereby given that, consistent with the requirements of the Bagley-Keene Open Meeting Act, special presentations not mentioned in the agenda may be made at this meeting. However, any such presentation will be for information only.

REASONABLE ACCOMMODATION WILL BE PROVIDED FOR ANY INDIVIDUAL WITH A DISABILITY Pursuant to the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, any individual with a disability who requires reasonable accommodation to attend or participate in this meeting of the Governing Board may request assistance by contacting UMCS at 4551 Steele Street, Oakland, CA 94619 or info@urbanmontessori.org.

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Coversheet

Approve Minutes from prior Finance Committee Meeting

Section: I. Opening Items
Item: C. Approve Minutes from prior Finance Committee Meeting
Purpose: Approve Minutes
Submitted by:
Related Material: Minutes for Finance Committee Regular Meeting on September 16, 2021

APPROVED



Urban Montessori Charter School

Minutes

Finance Committee Regular Meeting

Date and Time

Thursday September 16, 2021 at 3:00 PM

Location

The committee will meet at school 4551 Steele Street, Oakland, CA 94611

The public should join the meeting via Zoom

tinyurl.com/Zoom5102904005

Meeting ID: 510 290 4005, and passcode 510 290 4005

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AS ALLOWED BY GOVERNOR NEWSOM'S EXECUTIVE ORDER N-08-21 DATED JUNE 11, 2021 ([WHICH IS HERE IN ITS ENTIRETY](#)), AND FOLLOWING THE LEAD OF THE ALAMEDA COUNTY BOARD OF EDUCATION: THE COMMITTEE WILL MEET IN PERSON AT 4551 STEELE STREET, OAKLAND, CA 94619 AND THE PUBLIC MAY JOIN VIA ZOOM.

Members: Stacey Wang (Chair), Greg Klein, Davis Leung

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Committee Members Present

D. Leung (remote), G. Klein, S. Wang (remote)

Committee Members Absent

None

Guests Present

B. Fleming (remote), K. Feeney

I. Opening Items

A. Call the Meeting to Order

S. Wang called a meeting of the Finance Committee of Urban Montessori Charter School to order on Thursday Sep 16, 2021 at 3:04 PM.

B. Record Attendance

C. Approve Minutes from prior Finance Committee Meeting

D. Leung made a motion to approve the minutes from Finance Committee Regular Meeting on 08-19-21.

S. Wang seconded the motion.

No public comment or questions.

The committee **VOTED** unanimously to approve the motion.

Roll Call

S. Wang Aye

G. Klein Aye

D. Leung Aye

D. Review of Action/Discussion Items

No changes needed.

E. Presentations from the Floor

No public comment on items not on the agenda.

II. Finance

A. Discussion Item: Monthly Fiscal Report

Bryce shared the monthly report through August 31, 2021. Forecast was reduced from prior forecast primarily due to LCFF reductions related to enrollment. Now forecasting an operating deficit this year of \$179,000. This is after shifting some additional ESSER II resources into this fiscal year from a later fiscal year. Fund balance is now projected to end the fiscal year at 28% of expenses.

Cash on hand forecast remains above our goal of three months of expenses for the remainder of the fiscal year.

Bryce shared a few ideas on how to improve the operating income through reducing particular expenses or increasing revenues/enrollment.

Davis asked about ESSER funding for future years and Bryce responded that there is approximately \$320,000 in future years' ESSER funding. Davis asked about the attendance percentage goal, and Krishna shared that we may not hit 94% schoolwide in a year with so many illness/symptom-related restrictions, and there is an attendance "hedge" in the budget for expenses.

TK planning grant of approximately \$50,000 in revenue is not in the forecast.

Krishna shared that enrollment in the youngest grades is the main current dynamic. Next year's move to expanding TK will support future revenue.

No other discussion or public comment.

B. ESSER III Expenditure Plan

Bryce shared that the Board must approve this plan in the October meeting, and the committee should review it at its October meeting.

The template to be completed is attached to the agenda for this meeting.

No other discussion or public comment.

C. LCAP Supplement & Presentation Requirement

Bryce shared that this update is due February 28, 2022. The state said it would publish a template by November 30th. This update is to incorporate funds not already included in LCAP that was adopted in June 2021. It remains unclear if UMCS will receive any such unanticipated funding.

Bryce also mentioned that Educator Effectiveness Funding would go into this plan document, but also needs its own plan due on December 30th, with a prior public hearing. Plan is to create a public hearing at the October board meeting, but need the state to release the template, which it has not done.

No public comment on this item.

D. Contracts, invoices, and payments above \$15,000

Krishna shared the contract for the new security fence and then added a new gate afterward. Services already rendered, but with tax, the amount went above \$15,000, by about \$700.

Finance committee recommended approval on the upcoming General Consent Report.

No public comment on this item.

III. Closed Session

A. Closed Session Items

Tabled.

B. Report out of Closed Session

Closed Session did not occur.

IV. Closing Items

A. New Business

Finance Committee membership.

B. Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 3:53 PM.

Respectfully Submitted,
G. Klein

Documents used during the meeting

- Interstate Fence Co., Inc 8-16-2021.pdf

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Coversheet

Discuss long term budget and enrollment planning and scenarios

Section: II. Finance
Item: B. Discuss long term budget and enrollment planning and scenarios
Purpose: Discuss
Submitted by:
Related Material: 21-2212 President's Report - September 22 2021.pdf
State-intervenes-to-address-S-F-school-16510787.pdf



Alameda County Office of Education

L. K. Monroe Superintendent of Schools

September 15, 2021

Shanthi Gonzales, President
Board of Education
Oakland Unified School District
1000 Broadway, Suite 680
Oakland, CA 94607

RE: 2021-22 Local Control and Accountability Plan & Adopted Budget Review

Dear President Gonzales:

In accordance with Education Code (EC) Sections 42127 and 52070, the Alameda County Office of Education (ACOE) has reviewed the 2021-22 Local Control and Accountability Plan (LCAP) and Adopted Budget of the Oakland Unified School District (OUSD or District). By statute, the Adopted Budget review must be completed by September 15 of each year, and the LCAP review must be completed by October 8. Based on our review, both the 2021-22 LCAP and Adopted Budget of the OUSD have been **conditionally approved**.

Local Control and Accountability Plan

With regard to our review of the District's LCAP, the Education Code requires the County Superintendent of Schools to approve the LCAP or annual update to the LCAP (Annual Update) for each school district after determining all of the following:

- The LCAP or Annual Update adheres to the template adopted by the State Board of Education (SBE).
- The budget includes expenditures sufficient to implement the specific actions and strategies included in the LCAP.
- The LCAP or Annual Update adheres to the expenditure requirements for funds apportioned on the basis of the number and concentration of unduplicated students pursuant to EC Sections 42238.02 and 42238.03.

Based on our review of the District's 2021-22 LCAP, we have determined that the District is in compliance with the above criteria.

Adopted Budget

Education Code requires the County Superintendent of Schools to approve, conditionally approve, or disapprove the Adopted Budget for each school district after a review that includes

the following:

- Determine whether the Adopted Budget includes the expenditures necessary to implement the LCAP or Annual Update.
- Examine the Adopted Budget to determine whether it complies with the standards and criteria established pursuant to EC Section 33127 and identify any technical corrections needed to bring the budget into compliance with those standards and criteria.
- Determine whether the Adopted Budget will allow the district to meet its financial obligations during the current fiscal year and is consistent with a financial plan that will enable the district to satisfy its multi-year financial commitments.

ACOE determined that the District's 2020-21 Adopted Budget and Multi-Year Budget Projection (MYP) complies with the required criteria. However, there is an underlying concern with the MYP and additional action will be required from OUSD to ensure the District's financial plan addresses its multi-year financial commitments. The following analysis highlights the scope of the review that led to this conclusion.

While OUSD appears able to maintain the reserve for economic uncertainty (REU) for the current and subsequent fiscal years, the District's fiscal solvency is completely reliant upon one-time funding that is set to expire.

OUSD's Multi-Year Budget Projections

The District's projections as of 2021-22 Adopted Budget indicate the 2% reserve for economic uncertainties (REU) will be met for the current and subsequent fiscal years. These projections include reductions to the General Fund's expenditures of at least \$20.4 million in 2022-23 in the following categories:

- \$3.5 million of on-going reductions in Unrestricted Certificated Salaries, as outlined in Board Resolution No. 2021-0254 and the District's MYP.
- \$15.3 million in Restricted Certificated Salaries and \$1.6 million in Restricted Classified Salaries, and associated benefits with the expiration of one-time funding from the Elementary and Secondary Emergency Relief (ESSER) resources and Assembly Bill No. 1840.

While the current outlook for the 2021-22 State Budget provides some fiscal relief for LEAs across the state, much of the recent funding provided to school districts are one-time in nature to assist LEAs with the effects of the pandemic on safety and student learning. ACOE encourages all districts to ensure one-time funds are not used for ongoing expenditures.

At 2020-21 Second Interim, OUSD projected combined unidentified reductions totaling \$61.8 million in fiscal years 2021-22 through 2022-23. With the addition of the one-time COVID-19 relief funding totaling approximately \$280 million and the recent one-time AB 1840 apportionment of \$16 million to the Unrestricted General Fund, the District's deficits were concealed. The District was only able to meet its minimum reserve requirement while deferring reductions to the out years with its "Bridge Plan" in fiscal year 2020-21 using one-time funding sources.

ACOE's Multi-year Budget Projections

The short-term funding solutions allowed the District to present a positive budget; however, ACOE would like to draw attention to the impact these one-time AB1840, ESSER and COVID dollars have at concealing OUSD's fiscal solvency. Based on ACOE's analysis, with the removal of these one-time funds and the associated COVID expenditures in 2020-21 through 2023-24, ACOE sees a very different picture. It is important to note that OUSD applied \$65 million in 2020-21 for COVID relief, which helped to increase the District's beginning fund balance in 2021-22.

If not for one-time funding solutions, the District would very likely have a negative ending fund balance and REU in fiscal years 2022-23 and 2023-24. See the table below for the Combined General Fund:

<u>ACOE Recalculations (Without One-Time Funding)</u>			
	2021-22	2022-23	2023-24
Revenues	603,676,467	602,575,990	612,325,882
Add: LCFF Adj	5,482,875	6,831,608	6,656,438
Total Revenues	609,159,342	609,407,598	618,982,320
Expenditures	691,846,493	677,042,783	684,405,058
Less: COVID-19 Expenditures	86,929,816		
Adjusted for unidentified positions		15,304,283	15,304,283
Adjusted for unidentified positions		1,648,613	1,648,613
Adjusted for unidentified positions		3,471,982	3,471,982
Total Expenditures	604,916,677	697,467,661	704,829,936
Surplus/Deficit	4,242,665	(88,060,063)	(85,847,616)
BFB	76,535,764	80,778,429	(7,281,634)
EFB	80,778,429	(7,281,634)	(93,129,250)
Less: Restricted			
Less: Other Revolving Fund	150,000	150,000	150,000
Total Available EFB	80,628,429	(7,431,634)	(93,279,250)
2% REU	12,098,334	13,949,353	14,096,599
Total Reserves	13.33%	-1.07%	-13.23%

While short-term funding solutions offer one-time relief, OUSD's structural deficit must be addressed. ACOE acknowledges the Board's and District's leadership efforts in presenting the

one-time investments and solutions that address the deficit in the near future. ACOE also acknowledges the Board's commitment with Board Resolution No. 2021-0254 "to reduce every position funded by one-time funds" and to find and approve "additional budget-balancing solutions for the subsequent two fiscal years (2022-23 and 2023-24) to ensure the long-term fiscal solvency of the District." However, there is a time-sensitive need for the District to identify specific budget reductions and develop fiscal course corrections that will maintain OUSD's fiscal stability. Delaying the implementation of corrective budget solutions will limit the District's ability to make the critical decisions necessary for fiscal solvency. While Resolution No. 2021-0254 acknowledges that there are issues, it is insufficient to address the District's long-term fiscal stabilization.

Enrollment, Average Daily Attendance (ADA), and Staffing

As communicated throughout the 2020-21 fiscal year, OUSD continues to project declining enrollment for 2021-22 through 2023-24. However, staffing projections, as reported in the Criteria and Standards, have been noted to increase from 2020-21 to 2021-22 and remain constant for 2022-23 and 2023-24, despite the District's declining enrollment trend. Furthermore, when ACOE reviews the District's Certificated and Classified combined expenditures in its 2018-19 Unaudited Actuals with the District's current 2020-21 Unaudited Actuals' presentation, Certificated and Classified Salaries (not including benefits) have increased from \$285.2 million in 2018-19 to \$325.5 million in 2020-21. With countywide enrollment declines projected beyond most districts' Adopted Budget assumptions, OUSD must closely monitor its student enrollment and swiftly adjust its budget and staffing accordingly as it strategically plans for the future ahead.

With the 2020-21 pandemic related "hold-harmless" provision for ADA expiring, and with the cumulative impact of two years of declining enrollment, OUSD is faced with a substantial drop in the District's revenue in 2022-23. Adding further concern, based on ACOE's preliminary review of OUSD's Unaudited Actuals, the District's Unrestricted General Fund balance has decreased from its projected \$71 million at Estimated Actuals, to \$60.4 million at Unaudited Actuals. This drop is without the District reserving any funds for its Health Benefits Governing Board (HBGB) liability as reflected in the District's Audit Report.

Blueprint for Quality Schools Progress

During the 2018-19 and 2019-20 fiscal years, OUSD made progress towards achieving a more sustainable number of schools in order to improve the District's fiscal health and school quality. Based on the District's May 27, 2020 Board presentation, this work has helped OUSD realize \$3 million in cost savings. However, as conveyed in ACOE's prior correspondence, the same presentation also projected that reducing the number of "unsustainably-sized schools" could save the District as much as \$15 million annually. This area of focus should continue to be part of the District's considerations including timelines for any actions that the District will take.

The Board of Education adopted Resolution No.2021-0128, Advancing Citywide Plan Work in December of 2020, addressing Board Policy 6006, "Quality School Development: Community of Schools," the Citywide Plan outlined five areas of work in its strategic plan to address issues of

quality, equity, and sustainability within the District. While the Board's intent per the resolution was to continue with a robust, rigorous, and thoughtful engagement process to improve facilities and ensure OUSD's resources were best directed to the students within its community, these discussions have been postponed since last fall. The resolution set specific timelines for the District to meet certain milestones in addressing enrollment declines, fiscal stability and district size. To date, there has been no further movement in this area with the exception of a newly proposed resolution that proposes to further delay the District's facilities progress for one year. With the underlying fiscal condition of the District, ACOE recommends the associated action outlined in the current resolution not be delayed.

In summary, despite the considerable difficulty of these decisions, as enrollment continues to decline and one-time stabilization funds cease, it is imperative that OUSD continue with urgency and implement action plans that support fiscal sustainability and improved school quality in the 2021-22 fiscal year.

Conditional Approval of the Adopted Budget

The District must develop a short and long-term financial plan based on varying economic assumptions, most notably addressing enrollment volatility. OUSD will be required to implement these plans with fidelity to ensure fiscal solvency during these unprecedented times. Timely and extensive expenditure reductions and other budget-balancing solutions must remain a continued priority, as districts across the state adapt to a new learning environment and work to support its students and staff during the ongoing global pandemic.

We are conditionally approving the District's 2021-22 Adopted Budget, pending receipt and analysis of the following items:

1. The District shall work with the Fiscal Oversight Trustee (Trustee) to review ACOE's internal calculations and assessment outlined in this letter to determine if there are any anomalies unknown to ACOE that may alter the MYP calculation, as well as account for all pending liabilities, settlements, etc. since budget adoption, that could impact the District's current and multi-year projections. The results of this fiscal assessment shall be submitted to ACOE by October 8, 2021.
2. The District shall meet regularly with the Trustee to demonstrate the District's progress in meeting its timeline for implementation of its fiscal solvency plan and the needed ongoing budget-balancing solutions based on the analysis from item 1 above.
3. Resolution No. 2021-0128 Advancing District's Citywide Plan Work outlined specific action steps the district would take to address facilities and/ or budget reductions. If no further action is taken on school facilities in September 2021, Resolution 2021-0128 sets October 2021 as the timeline to address budget reductions. In reviewing the newly

proposed Resolution No. 2122-0128C - Postponing Blueprint Cohort 3 Decision to Fall 2022, it is uncertain if budget reductions will be approved in October 2021 or if the OUSD Superintendent will move forward with addressing facilities should budget reductions not occur in October 2021.

By September 23, 2021, ACOE is requiring the Governing Board to submit in writing the status of Resolution 2021-0128 and address if the following section of the resolution will be adhered to:

“...Should 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; the Superintendent shall implement any mergers and/or closures as proposed unless and until the Board passes such a resolution...”

4. In order to address the structural deficit projected in the MYP in fiscal years 2022-23 and 2023-24, the District shall provide a list of board-approved expenditure reductions or ongoing budget-balancing solutions ensuring clear, transparent actions, as the OUSD board upholds its fiduciary responsibility. ACOE will only accept identified items of action and a corresponding timeline.
 1. By October 5, 2021, the District shall provide the Trustee with a status update on the District's progress toward meeting this goal.
 2. By October 8, 2021, the Trustee shall report to ACOE on the status of the District's draft list of proposed expenditures and whether this District's plan seems attainable in ensuring fiscal solvency.
 3. The District shall provide this Board-approved list to ACOE with the District's First Interim Report on or before December 15, 2021.

In accordance with EC Section 42127(d)(3), on or before October 8, the Board shall review and respond to the recommendations of the County Superintendent of Schools at a regular meeting of the Board. The response shall include any revisions to the Adopted Budget and other proposed actions to be taken as a result of those recommendations.

ACOE will conduct a review of all the items listed above and will make a final determination regarding the Adopted Budget by the statutory deadline of November 8.

We want to acknowledge and express our appreciation to the District staff, the Board, and the community for their continued diligence and hard work. We look forward to our continued

collaboration as we strive to ensure the ongoing fiscal stability of the District in service of the educational success of all Oakland's students.

If you have any questions or concerns regarding our review process, please feel free to call me at (510) 670-4140.

Sincerely,



L. K. Monroe
Alameda County Superintendent of Schools

cc: Board of Education, Oakland USD
Dr. Kyla Johnson-Trammell, Superintendent, Oakland USD
Lisa Grant-Dawson, Chief Business Official, Oakland USD
Tony Thurmond, State Superintendent of Public Instruction, CDE
Michael H. Fine, Fiscal Crisis and Management Assistance Team
Luz Cázares, Fiscal Oversight Trustee
Dr. Candi Clark, Associate Superintendent of Business Services, ACOE
Dr. Ingrid Laniez Roberson, Acting Associate Superintendent of District & School Support, ACOE
Shirene Moreira, Chief of District Business and Advisory Services, ACOE
Natalie Cardaniuc, Director II, District Advisory Services, ACOE

S.F. Schools' financial crisis prompts state to intervene in face of massive shortfall

The San Francisco school district's financial situation is so dire, the state is...

By Jill Tucker

Updated Oct. 06, 2021 03:31 am

The state emphasized that it has the power to withhold pay from school board members and the superintendent for “failure to provide requested financial information.” State officials said they are not currently taking that step, but could in the future.

“We acknowledge that the district is working to identify strategic solutions for resolving the projected budget shortfalls,” said a Sept. 15 letter to district Superintendent Vince Matthews that was included in the public agenda for a special Tuesday board meeting on future budgeting. “However, reductions have yet to be identified after a year of discussion.”

The district was expected to submit a fiscal recovery plan with two separate budget reports this fiscal year but did not do that, state officials said. District leaders, however, said there was no deadline to submit those plans.

The school board now has until Dec. 15 to approve a “fiscal stabilization plan” that will ensure they can pay their bills with an adequate reserve left over for fiscal years 2022-23 and 2023-24.

The state intervention is the latest blow for a district that’s been in [crisis for 18 months](#), with school board controversies, [a recall effort](#), costly lawsuits and tension between the teachers union and parents over return to in-person instruction. At the same time, enrollment is dropping.

In early 2020, the district was spending \$60 million a year beyond its revenue. Adding to the crunch, personnel costs were growing at four times the rate of

increases in funding from the state, and special education and other costs were escalating.

Since then, the situation has only gotten worse.

“In SFUSD we are seeing a decline in enrollment, which results in a decrease in revenue,” Matthews wrote to staff this month. “Our costs continue to significantly rise — current employee and retiree benefits, salaries and programs that serve our highest need students are just a few areas where costs have increased by tens of millions in recent years.”

While city schools have received \$60 million for pandemic recovery from state and federal sources, and \$15 million from city coffers, the district has largely used that money [to offset a shortfall this year](#), preventing cuts to staffing and programs, and expanding online learning and after-school programs, Matthews said.

The school board increased its financial burden by creating new programs for racial subgroups, and incurred staff and legal fees with its decision and reversal on renaming some schools and approval of a nearly \$1 million plan to [cover up a school mural](#).

Spending to support struggling students is understandable, said former school board member Rachel Norton, “but your responsibility as a board member, first and foremost, is the financial condition of the district. That is your job.” She added, “It doesn’t appear that this board has made the hard decisions.”

Most recently, the board opposed a \$5 million-saving move recommended by staff to shift teachers around to more evenly distribute the student load, and reduce the budget at some schools with declining enrollment.

At Tuesday’s special meeting, board members discussed the state’s intervention and asked state fiscal experts what it will take to balance the budget.

“Districts successful in a turnaround recognize they have a problem,” said Michael Fine, CEO of the Fiscal Crisis & Management Assistance Team, which works with the state’s school districts on financial stability, who participated in the meeting. “Don’t mask the problem; take advantage of the expertise.”

Fine also advised the board to listen to staff and take their advice.

“Our collective job is to stop the bleeding, get you on the healing path, get you turned around and back where you need to be,” he said.

The district’s teachers union said Tuesday that educators would do everything they can to protect classrooms and essential services for students.

“SFUSD should have a laser-like focus on keeping cuts as far away from classrooms and school sites as possible,” said a statement from United Educators of San Francisco. “We find it troubling that in one of the wealthiest cities in the world, for decades, management has suggested deficits and cuts that take away valuable resources from our students, classrooms and schools.”

So far, the board has refused to make cuts at school sites despite declining enrollment. Last year, that meant the superintendent was forced to balance the budget by stripping \$25 million from the central office. Yet, teachers union officials and others recently have complained about an unresponsiveness from human resources and other administrative services, Matthews told the Sept. 21 meeting.

Board member Alison Collins grilled staff on why they weren’t applying for grants. Such funding is typically for specific programs and would not offset the deficit, said district officials, who for well over a year have sounded the budget deficit alarm and urged the board to act.

If the district goes under and requires a loan to pay bills, the state would step in and take over, with the school board losing all control.

The actions by the state are legally required given the anticipated shortfall over the next two years and lack of a plan to address it.

The intervention “allows central office staff to receive technical advice regarding our budgets for the upcoming years,” said school board Vice President Faauuga Moliga ahead of Tuesday’s board meeting. “I believe this will prove helpful to everyone.”

Typically, the county office of education would assume the fiscal oversight, but in San Francisco the district and county office of education are combined.

With the state’s action, San Francisco joins 13 districts — among the state’s 1,000 school districts — in financial straits dire enough to spur county intervention, including Oakland, where the Alameda County Office of Education has oversight.

Oakland's financial troubles have continued despite a \$100 million state bailout and takeover in 2003. Matthews, several years before becoming San Francisco's superintendent, ran the Oakland district as state administrator until the state restored the Oakland board's power in 2009. The state continues to have some fiscal oversight over Oakland schools because the district is still paying back the loan.

San Francisco will have to make hard decisions to avoid the same fate, officials said.

School board member Jenny Lam, who chairs the S.F. district's Budget Committee, warned her colleagues last month that the district was facing "historical budget deficits" and there is no money. The pain in cutting some school budgets and transferring teachers to save \$5 million will be magnified 20-fold in the months ahead, she said.

"Resolving SFUSD's historical budget deficits remains the top priority, and ensuring the highest level of learning outcomes despite our budgetary circumstances is our challenge," Lam said Tuesday. She added that the district is on track to have a budget plan in place by Dec. 15. "Our focus must remain on the fiscal solvency of SFUSD; it's the only path forward for the future of our students."

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With a \$116 million shortfall increasing the likelihood that the San Francisco school district won't be able to pay its bills, the California education superintendent is stepping in to address its financial tailspin in a move aimed at avoiding a full state takeover.

The intervention, revealed this week in district meeting documents, means the state will bring in a fiscal consultant to help the school board figure out how to cut the equivalent of 13% of its annual \$1 billion budget. It will also require the district to submit any labor agreements to state Superintendent of Public Instruction Tony Thurmond for review.

Coversheet

ESSER III Expenditure Plan

Section: II. Finance
Item: C. ESSER III Expenditure Plan
Purpose: Discuss
Submitted by:
Related Material: Screen Shot 2021-09-14 at 3.50.56 PM.png

Imagine it's 2023. Pundits are judging ESSER spending in each district. There will be successes, but hindsight also means we'll see mistakes made in '21 & '22.

What will those mistakes be?

My predictions for 5 potential mistakes a district could be making:

Five potential mistakes districts might be making with federal relief funds

1. Spending in a way that creates a disruptive fiscal cliff
2. Issuing problematic contracts that come back to haunt leaders
3. Deploying funds inequitably across schools
4. Failing to make sure community can see/recognize investments
5. Investing without demonstrating real results for students.

Coversheet

Educator Effectiveness Plan

Section: II. Finance
Item: F. Educator Effectiveness Plan
Purpose: Discuss
Submitted by:
Related Material: Educator Effectiveness Plan overview.pdf

Educator Effectiveness

