

Responses to Questions Regarding California Department of Education's Impact on the Student Success Fund

1. Is there an understanding from the State that the Student Success Fund is a partnership agreement between the City and the School District to improve student outcomes with a dedicated funding source that was determined by the voters, which provides consistent funds for 15 years and can be renewed?

Response: Yes—The California Department of Education (CDE) understands that the Student Success Fund (SSF) is a long-term partnership between the City and San Francisco Unified School District (SFUSD), created by voters to provide consistent support for improving student outcomes. It's a unique local initiative that dedicates city funding to schools for the next 15 years, with the possibility of renewal. While CDE doesn't manage the fund, the CDE recognizes its importance and how it aligns with shared goals around student success.

2. What are specific requirements and parameters that SFUSD needs to ensure Student Success Funds will be used to their original and full extent in the 25-26 school year and beyond?

Response: The use and control of SSF are completely under the purview of SFUSD (see Attachment 1). While the CDE doesn't set the rules for how SSF funds are used, the SFUSD still needs to ensure it has strong systems — especially around budgeting, staffing, and tracking. That includes:

- *Making sure SSF positions are appropriately budgeted and tied to grant plans.*
- *Having a reliable position control system in place to track staffing.*
- *Maintain accurate records and reports that demonstrate the allocation of funds, ensuring they align with the commitments made in the grant applications.*
- *Ensuring SSF spending doesn't risk the district's overall budget recovery efforts.*

As noted in the Fiscal Crisis Management Assistance Team (FCMAT), April 2024 [Fiscal Health Risk Assessment](#) (Attachment 2), the district lacks a position control system, internal controls, and budget monitoring practices.

3. We recognize that as CDE's Fiscal Advisors to SFUSD that you have stay-and-rescind authority. Can you clarify what that entails? Can you please describe how that relates to the oversight of City funds dedicated to SFUSD, specifically the Student Success Fund, if applicable.

Response: As fiscal advisers under Education Code Section 1630(d), the CDE and its designee, the fiscal advisers, have the authority to stay and rescind actions. This means the fiscal advisers can:

- *Stay (pause) actions or expenditures made by the SFUSD that are considered fiscally imprudent or unsustainable.*

- *Rescind (reverse) decisions made by the SFUSD if those decisions jeopardize fiscal recovery or solvency.*

This authority primarily involves broader fiscal decisions and does not specifically pertain to city-funded programs like the SSF. However, if spending from the SSF were to jeopardize the district's financial stability, the CDE could intervene to ensure responsible decision-making.

4. Does the CDE have authority over how the School District disburses local, earmarked funds such as the Student Success Fund?

Response: Not directly. The City and the SFUSD control local funds like the SSF. That said, if the use of those funds impacts the district's financial position—for example, if they cause long-term cost pressures—the fiscal advisors may raise concerns or ask for additional review as part of CDE's fiscal oversight role.

5. Did you require SFUSD to implement a hiring freeze that prevented schools from hiring budgeted positions under the Student Success Fund?

Response: In May 2024, SFUSD implemented a hiring freeze (see Attachment 3). There was no specific hiring freeze targeting SSF positions. However, due to concerns about the district's budget, staffing systems, and long-term sustainability, a more thorough review of all hiring processes, regardless of the funding source was implemented last Spring.

6. What are the specific requirements and parameters that SFUSD needs to meet to lift the hiring freeze, if it has not already been lifted?

Response: As noted above, there was no specific hiring freeze targeting SSF funded positions and SFUSD can make SSF-related hiring decisions. However, the CDE requested that SFUSD consider a few key things:

- *That it has a functioning position control system to track who's being hired and how it's funded.*
- *That SSF grants are fully budgeted and approved in the system.*

That the positions fit within a larger plan that's sustainable over time — especially if they involve ongoing costs and have an effect on SFUSD's unrestricted general fund.

7. What commitments can you make to assure that the Student Success Fund monies will be used as the voters intended, and that positions under review by the California Department of Education that are associated with a Student Success Fund grant will be approved?

Response: The CDE-appointed fiscal advisers will not be involved in reviewing positions funded by the SSF. However, the fiscal advisers should be informed of any new hires using SSF to ensure transparency and the ability to assess the impact on the overall financial condition of SFUSD.

Date: March 28, 2025

To: San Francisco Unified School District Board Members and Superintendent

From: Elliott Duchon and Pam Lauzon, CDE Appointed Fiscal Advisers

At our meeting on March 4, 2025, Superintendent Su requested clarification regarding the California Department of Education's (CDE) authority over local restricted funds, such as Parent Teacher Organization funds and Student Success Fund grants. These funds fall under the 9010 Other Restricted Local Resource Code or are categorized as Fund 08 Student Activity Funds. These would not include state or federal unrestricted or restricted funding sources.

The CDE will not have oversight over these **local** restricted funds, allowing the district to spend them at its discretion. However, we recommend that the district closely monitors these funds and establish proper processes and procedures to ensure that expenditures are authorized and stay within budget. The district must also consider the sustainability of these funding sources and plan accordingly for any ongoing personnel costs.

Additionally, we suggest that the district consider the flexibility these funds provide. It may be possible to transfer necessary unrestricted General Fund expenditures to these local funding sources. This could help free up unrestricted dollars to address other priorities and reduce the unrestricted General Fund deficit.

If you need further clarification, please let us know.

Pam Lauzon

Elliott Duchon

CDE Fiscal Advisers

Fiscal Health Risk Analysis

April 26, 2024



San Francisco Unified School District

Michael H. Fine
Chief Executive Officer

April 26, 2024

Matt Wayne, Ed.D., Superintendent
San Francisco Unified School District
555 Franklin St.
San Francisco, CA 94102-5207

Dear Superintendent Wayne,

In December 2023, the San Francisco Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement for FCMAT to conduct a Fiscal Health Risk Analysis of the district.

The agreement stated that FCMAT would perform the following:

1. Prepare an analysis using the 20 factors in FCMAT's Fiscal Health Risk Analysis, and identify the district's specific risk rating for fiscal insolvency.

This fiscal health risk analysis is required by California's 2018-19 Budget Act because the district has been designated a lack of going concern by the state superintendent of public instruction (SPI).

This final report contains the fiscal health risk analysis with the study team's findings and recommendations. FCMAT appreciates the opportunity to assist the San Francisco Unified School District and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,



Michael H. Fine
Chief Executive Officer

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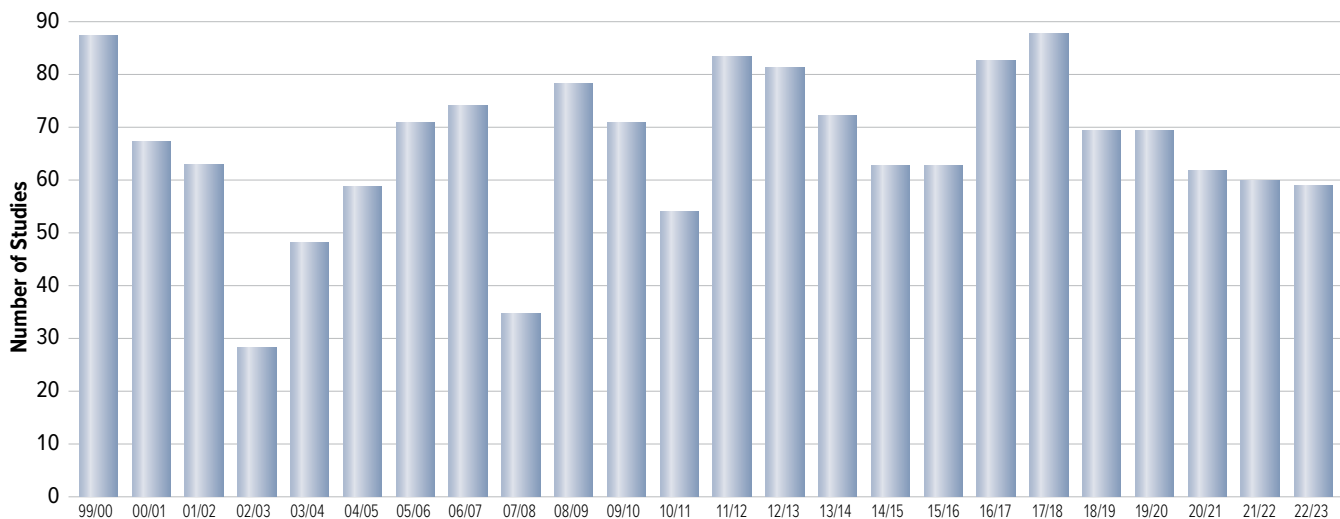
About FCMAT

FCMAT’s primary mission is to assist California’s local TK-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.

Studies by Fiscal Year



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

FCMAT was created by Assembly Bill (AB) 1200 in 1991 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS’ mission.

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

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

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

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

Introduction

Background

Historically, FCMAT has not engaged directly with school districts showing distress until it has been invited to do so by the district or the county superintendent. The state's 2018-19 Budget Act provides for FCMAT to offer more proactive and preventive services to fiscally distressed school districts by automatically engaging with a district under the following conditions:

- Disapproved budget.
- Negative interim report certification.
- Three consecutive qualified interim report certifications.
- Downgrade of an interim certification by the county superintendent.
- Lack of going concern designation.

Under these conditions, FCMAT will perform a fiscal health risk analysis to determine the level of risk for insolvency. FCMAT has updated its Fiscal Health Risk Analysis (FHRA) tool that weights each question based on high, moderate and low risk. The analysis will not be performed more than once in a 12-month period per district, and the engagement will be coordinated with the county superintendent and build on their oversight process and activities already in place per Assembly Bill (AB) 1200. There is no cost to the county superintendent or to the district for the analysis.

This fiscal health risk analysis is being conducted because the district had the following condition(s), under which an analysis is required by the 2018-19 State Budget Act:

- Lack of going concern designation after the adoption of the 2023-24 budget.

The San Francisco Unified School District has an enrollment of 55,537 students and is in San Francisco, California. Approximately 30% of school-age children within the district's boundaries attend private schools. The number of students leaving the district to attend private schools is increasing by approximately 500 per year. This is in addition to the natural declining enrollment most districts in the state are experiencing.

As one of the few single-district counties in California, the district and its county office of education share an administration. The district and county office report their financial information to their governing board combined at the time of budget adoption but separately at the interim financial reporting periods. Because of the single-district county configuration, the California Department of Education (CDE) is the oversight agency for this local educational agency (LEA).

The CDE has expressed many concerns while performing oversight in recent years. The areas of concern are outlined in [Section 3.6](#) of this report. The district is in a qualified budget status, which means that it may not meet its financial obligations in the current and two subsequent fiscal years. The CDE has also designated the district a lack of going concern and is providing two fiscal experts to work with the district. Both FCMAT and the CDE have concerns about the district's ability to implement the fiscal stabilization plan it has developed.

FCMAT performed a fiscal health risk analysis to determine the district's level of risk for insolvency in 2022 and is doing so again with this report in 2024. A comparison of the results of the two FHRA studies is included in the [Appendix A](#).

Fiscal Health Risk Analysis Guidelines

FCMAT entered into a study agreement with the San Francisco Unified School District on December 4, 2023, and a study team visited the district on January 23 -25, 2024 to conduct interviews, collect data and review documents. Following fieldwork, the FCMAT study team continued to review and analyze documents. This report is the result of those activities.

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

Study Team

The team was composed of the following members:

Tamara Montero, CFE, SFO
FCMAT Chief Analyst

Roslynne Manansala-Smith
FCMAT Intervention Specialist

Jennifer Nerat
FCMAT Intervention Specialist

John Lotze
FCMAT Technical Writer

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

Fiscal Health Risk Analysis

For TK-12 School Districts



FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Dates of fieldwork: January 23-25, 2024

District: San Francisco Unified School District

Summary

The San Francisco Unified School District faces tremendous fiscal challenges. Of the 20 sections reviewed in the Fiscal Health Risk Analysis (FHRA), Budget Monitoring, Cash Management, Collective Bargaining, Internal Controls, Enrollment and Attendance and Position Control are the areas in which the district needs the most improvement. More detail about specific concerns can be found in those sections of this report.

When preparing this FHRA, FCMAT used the period of the original approved 2023-24 budget for all budget-related questions except those in Section 3, Budget Monitoring, for which it used the district's 2023-24 first interim budget. This is common practice in FCMAT reports.

The district has many consultants in various positions. Although it is good to have personnel in positions rather than vacancies, it would be optimal for the district's long-term stability to have permanent employees in all positions. The district's administration indicated that this is a goal; however, the district has lacked a qualified chief business official for several years. This has led to a lack of leadership, a lack of understanding of critical elements of school finance, and poor monitoring of the district's overall fiscal solvency. In addition, per Education Code 45318, nearly all of the district's classified positions, including managers, are hired through the City and County of San Francisco's civil services system, which significantly hinders the district's ability to hire for such positions.

Many staff in the district could benefit from training. One area of concern is the district's lack of collaboration with other districts in the state. The district prefers to collaborate solely with a national organization because there is a perception that the district is different from other local educational agencies (LEAs) in California. However, this is not the case. All divisions in the district could benefit by learning from and/or collaborating with other LEAs in the state. Examples of missed opportunities include FCMAT's email listserves, regional trainings, and leadership opportunities with various professional educational organizations.

The district's financial system is a significant barrier that prevents the district from conducting business in an accurate, effective and efficient manner. During fieldwork, it became clear to FCMAT that only one or two individuals in the district know how to generate reports that all individuals in the budget and accounting divisions should be able to run. The payroll and human resources modules are not part of the financial system, and this has caused significant errors in payroll and benefits, the impact of which the district is unable to estimate. The errors have been pervasive for years, and tracing them in such a large system would be an enormous task so has not been done. For example, payroll staff shared that when the warrants for payroll are run in the system, the accuracy is not guaranteed and that an exception report is used to make sure that payroll is close to what it should be. Staff stated that in some cases payroll warrants in the millions of dollars have been issued to individuals but that these large amounts have been caught before being paid to staff. At the same time, other employees have been underpaid, and income tax and retirement reporting have been inaccurate and not timely, adversely affecting individuals and the district alike.

The per-school funding allocation that the district uses hinders the district's ability to implement a position control system. As outlined in [Section 19](#) of this report, the district is not following industry standards or best practices in this area, which has a great impact on the district's fiscal solvency. The individual schools have great autonomy in how the per-school allocation is spent. This makes the position control system a record of staff as requested by the schools, rather than a true position control system that informs the district how many positions are available based on staffing allocations and how many are filled. An inadequate position control system also affects the district's ability to comply with complex state and federal program regulations regarding how these funds are usually to supplement rather than supplant existing funding, jeopardizing millions in funding.

At the time of this report, the district has notified 110 administrators, 134 nonmanagement certificated staff and 102 nonmanagement classified staff of layoffs as of March 15, 2024. If the district does not finalize this action by May 15, 2024

and implement other budget reductions it has proposed, based on the details included in the 2023-24 second interim report, it could become insolvent sometime in the 2025-26 fiscal year.

Significant Subsequent Events

Regarding Deficit Spending

The reporting period that this FHRA is based on is the 2023-24 adopted budget. However, as a result of the 2023-24 first interim report, FCMAT noted the following changes, which would affect item 7.2 of this FHRA:

- The district's 2023-24 first interim report includes reporting for 14 other funds, 11 of which are deficit spending. For eight of these funds (funds 11, 13, 14, 25, 30, 35, 40 and 67), the projected ending fund balance can cover the deficit spending and remain positive. For three of these funds (funds 21, 49 and 51), the district is deficit spending and projects negative ending fund balances. For Fund 21, Building Fund, and Fund 51, Bond Interest and Redemption Fund, the district did not project any revenue for 2023-24.
- The district has projected transfers out from the unrestricted general fund to Fund 67, Self-Insurance Fund, and from the restricted general fund to Fund 12, Child Development Fund. The district's multiyear financial projection includes only continued projected transfers out from the restricted general fund.

Because of these changes, the first interim data completely alters the adopted budget and calls into question the accuracy of the adopted budget.

Regarding Multiyear Projections

In this report (see item 17.4), based on the 2023-24 adopted budget, the district has refrained from using line B10. With the 2023-24 first interim report, the district is using line B10 on the multiyear projection as a positive number. The district states in the multiyear projection narrative that the amounts entered on line B10 reflect salary settlements.

It is best practice for districts to refrain from using line B10.

Regarding Available Funding for Facilities Projects

The reporting period that this FHRA is based on is the 2023-24 adopted budget. However, as a result of the 2023-24 first interim report, FCMAT notes the following change, which would affect item 11.2 of this FHRA:

The district's 2023-24 first interim financial report includes ending fund balances of negative \$48 million in Fund 21 and negative \$619,000 in Fund 49.

These negative ending fund balances must be corrected by modifying expenditures or showing the amount that the general fund will need to contribute to facilities projects. Without showing the amount that the general fund may need to contribute, the deficit spending and true ending fund balance for the general fund are not known.

District Fiscal Solvency Risk Level: High

About the Analysis

The Fiscal Crisis and Management Assistance Team (FCMAT) has developed the Fiscal Health Risk Analysis (FHRA) as a tool to help evaluate a school district's fiscal health and risk of insolvency in the current and two subsequent fiscal years.

The FHRA includes 20 sections, each of which contains specific questions. Each section and specific question is included based on FCMAT's work since the inception of AB 1200 (Chapter 1213, Statutes of 1991); they are the common indicators of risk or potential insolvency for districts that have neared insolvency and needed assistance from outside agencies. Each section of this analysis is critical, and a lack of attention to these critical areas will eventually contribute to the deterioration of a district's fiscal health. The analysis focuses on essential functions and processes to determine the level of risk at the time of assessment.

The greater the number of "no" answers to the questions in the analysis, the greater the potential risk of insolvency or

fiscal issues for the district. Not all sections in the analysis and not all questions within each section carry equal weight; some areas carry higher risk and thus count more heavily in calculating a district’s fiscal stability score. To help the district, narratives are included for responses that are marked as a “no” so the district can better understand the reason for the response and actions that may be needed to obtain a “yes” answer.

Identifying issues early is the key 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 and overall solvency. A district should consider completing the FHRA annually to self-assess its fiscal health risk and progress over time.

Areas of High Risk

The following sections on this page and the next duplicate certain questions and answers given in the Fiscal Health Risk Analysis Questions later in this document and identify conditions that create significant risk of fiscal insolvency. The existence of an identified budget or fiscal status or a material weakness indicated by a “no” answer to any of these items supersedes all other scoring and will elevate the district’s overall risk level.

Budget and Fiscal Status

Is the district currently <i>without</i> the following?:	Yes	No
Disapproved budget	✓	<input type="checkbox"/>
Negative interim report certification	✓	<input type="checkbox"/>
Three consecutive qualified interim report certifications.	✓	<input type="checkbox"/>
Downgrade of an interim certification by the county superintendent	✓	<input type="checkbox"/>
Lack of going concern designation	<input type="checkbox"/>	✓

Material Weakness Questions

	Yes	No	N/A
2.5 Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142?.	✓	<input type="checkbox"/>	<input type="checkbox"/>
3.6 Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years?	<input type="checkbox"/>	✓	<input type="checkbox"/>
4.3 Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	<input type="checkbox"/>	✓	<input type="checkbox"/>
4.4 If the district’s cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	<input type="checkbox"/>	✓	<input type="checkbox"/>
5.2 Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?	✓	<input type="checkbox"/>	<input type="checkbox"/>
5.3 Are all charters authorized by the district going concerns and not in fiscal distress?	✓	<input type="checkbox"/>	<input type="checkbox"/>
6.3 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections?	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 6.4 Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement? ✓
- 7.2 If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance? ✓
- 8.3 If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency? ✓
- 10.6 Are the district’s enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations? ✓
- 11.2 Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects? ✓
- 12.1 Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards? ✓
- 12.2 Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years? ✓
- 12.3 If the district is not able to maintain the minimum reserve for economic uncertainty, does the district’s multiyear financial projection include a board-approved plan to restore the reserve? ✓
- 19.1 Does the district account for all positions and costs? ✓

Score Breakdown by Section

Because the score is not calculated by category, category values provided are subject to minor rounding error and are provided for information only.

1.	Annual Independent Audit Report	0.5%
2.	Budget Development and Adoption	3.5%
3.	Budget Monitoring and Updates	6.5%
4.	Cash Management	7.4%
5.	Charter Schools	0.0%
6.	Collective Bargaining Agreements	3.1%
7.	Contributions and Transfers	1.0%
8.	Deficit Spending (Unrestricted General Fund)	0.0%
9.	Employee Benefits	2.2%
10.	Enrollment and Attendance	6.7%
11.	Facilities	0.4%
12.	Fund Balance and Reserve for Economic Uncertainty	0.0%
13.	General Fund - Current Year	2.3%
14.	Information Systems and Data Management	1.0%
15.	Internal Controls and Fraud Prevention	5.9%
16.	Leadership and Stability	2.5%
17.	Multiyear Projections	2.0%
18.	Non-Voter-Approved Debt and Risk Management	0.0%
19.	Position Control	5.5%
20.	Special Education	0.4%
Score		50.7%

Fiscal Health Risk Analysis Questions

Budget and Fiscal Status

Is the district currently <i>without</i> the following?:	Yes	No
Disapproved budget	✓	<input type="checkbox"/>
Negative interim report certification	✓	<input type="checkbox"/>
Three consecutive qualified interim report certifications	✓	<input type="checkbox"/>
Downgrade of an interim certification by the county superintendent	✓	<input type="checkbox"/>
Lack of going concern designation	<input type="checkbox"/>	✓

1. Annual Independent Audit Report

	Yes	No	N/A
<p>1.1 Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A</p> <p>The district’s 2021-22 audit was issued with a disclaimer opinion, which means that the auditor was unable to confirm the district’s financial condition. The audit states that this was “due to the inability to obtain sufficient appropriate audit evidence and material weakness in internal control over financial reporting,” and further states, “the District did not provide sufficient appropriate evidence to support that the financial statements are free from material misstatement.”</p> <p>This determination is more serious than any normal findings because it states that the auditor was unable to complete the audit because of the lack of proper fiscal conditions at the district. The audit lists several areas in which the district’s fiscal health is suspect.</p>			
<p>1.2 Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline? (Extensions of the timeline granted by the State Controller’s Office should be explained.) <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A</p> <p>The district’s 2022-23 fiscal year audit deadline had received an extension until March 31, 2024 at the time of FCMAT’s fieldwork. The stated reasons for the extension were a lack of staff at the district and the fact that a new auditor was brought in to complete the audit. The normal statutory deadline for audits is December 15.</p>			

1.3 Were the district's most recent and prior two audit reports free of findings of material weaknesses?

The audits for 2019-20 and 2020-21 both had material weakness findings related to comprehensive school safety plans. The 2021-22 audit had material weakness findings in the following areas:

- Education Stabilization Fund.
- Child Care and Development Block Grant.
- Child nutrition cluster.
- School safety plan.
- Expanded Learning Opportunities Program (ELOP).
- Pension contributions, bond premiums.
- The district's inability to prepare its financial statements.

1.4 Has the district corrected all reported audit findings from the most recent and prior two audits?

The district's 2020-2021 and 2021-22 audits had repeat findings regarding comprehensive school safety plans. The 2019-20 audit was free of repeat findings.

2. Budget Development and Adoption

Yes No N/A

2.1 Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?

The district used industry best practices for the assumptions for the cost-of-living adjustment (COLA) and other state factors in its adopted budget; however, local assumptions about enrollment and staffing levels are not clearly articulated or well defined.

The state superintendent of public instruction's (SPI's) budget review letter dated September 15, 2023 notes concern that the district and county office project to transfer the following:

\$33 million of unrestricted costs, including 242 positions, to one-time restricted funding sources in 2023-24 & 2024-25. The multi-year assumptions for the unrestricted general fund do not consider the return of these expenditures in 2025-26, when the one-time restricted funding expires. Although Board resolution #236-6Sp2, adopted June 20, 2023, commits to eliminating the structural deficit, additional Board action is needed to eliminate these expenditures and positions when the one-time funding expires or find additional ongoing funding sources to support them.

2.2 Does the district use a budget development method other than a prior-year rollover budget, and, if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?

- 2.3 Does the district use position control data for budget development?** ✓

The district maintains a detailed position control report; however, staff indicated during interviews that the district uses an average cost by position rather than the actual cost by position when developing school budgets.
- 2.4 Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?** ✓

The district did not adjust enrollment projections in the LCFF Calculator in the current and two subsequent years to account for its continuing trend of declining enrollment. Overstating enrollment and associated average daily attendance (ADA) results in overstated projected LCFF revenue.
- 2.5 Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years?** ✓
- 2.6 Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?** . . . ✓
- 2.7 Does the district budget and expend restricted funds before unrestricted funds?** ✓
- 2.8 Have the Local Control and Accountability Plan (LCAP) and the budget been adopted within statutory timelines established by Education Code Sections 42103 and 52062 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and one prior fiscal year?** . . . ✓
- 2.9 Has the district refrained from including carryover funds in its adopted budget?** ✓
- 2.10 Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the district avoid using negative or contra expenditure accounts?** ✓
- 2.11 Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds and the potential multiyear impact on the district’s unrestricted general fund?** ✓

The district’s Board Policy 3290 broadly addresses gifts, grants and bequests; however, it does not establish a procedure for staff to follow when evaluating the acceptance of funding from grant sources. Information obtained from staff interviews indicates that the evaluation process occurs in various departments without consistent communication with the business office before the board accepts the funding. Because the business office is not involved in evaluating the funding, the multiyear impact on the unrestricted general fund is not accounted for.
- 2.12 Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff members/departments responsible for completing them?** ✓

3. Budget Monitoring and Updates

	Yes	No	N/A
<p>3.1 Are actual revenues and expenses consistent with the most current budget? <input type="checkbox"/></p> <p>The district’s 2023-24 first interim report includes multiple instances in which actual revenues and expenses for the reporting period differed from projected totals in the following areas: unrestricted miscellaneous revenue, restricted other classified salaries, restricted operations and housekeeping services, and prior year’s taxes.</p> <p>The 2023-24 first interim report should include budget revisions for all funds by object code to show changes since the budget’s adoption in June 2023. These revisions typically include items such as prior year carryover funds, revised funding allocations, updated enrollment and ADA estimates, and salaries and full-time equivalent (FTE) staffing adjustments. The district should also review actuals to date for accuracy and consistency with the most current budget.</p>	✓		<input type="checkbox"/>
<p>3.2 Are budget revisions posted in the financial system at each interim report, at a minimum? <input type="checkbox"/></p> <p>Although the district’s governing board approved budget transfer revisions at interim reporting periods for 2022-23 and 2023-24, the district did not provide FCMAT with any evidence from its financial system that these budget revisions were posted in the financial system at each interim report.</p>		✓	<input type="checkbox"/>
<p>3.3 Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum? <input type="checkbox"/></p> <p>FCMAT reviewed the district’s 2023-24 first interim report and 2022-23 first and second interim reports. Because the board-approved operating budget (column b) matched the projected totals (column d) rather than the last board-approved budget, the Standardized Account Code Structure (SACS) forms did not show any differences (column e) for the budget revisions associated with the reporting period.</p> <p>The district did not provide any evidence that clearly written and articulated budget assumptions (e.g., enrollment and attendance projections, staffing projections, retirement rates and LCFF funding rates) were presented to the board at each interim reporting period for 2022-23 and 2023-24.</p>		✓	<input type="checkbox"/>
<p>3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142? <input checked="" type="checkbox"/></p>	✓		<input type="checkbox"/>
<p>3.5 Do the district’s responses fully explain the variances identified in the criteria and standards? <input checked="" type="checkbox"/></p>	✓		<input type="checkbox"/>
<p>3.6 Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years? <input type="checkbox"/></p> <p>The San Francisco Unified School District and the San Francisco County Office of Education are served by the same governing board and superintendent. Because of this, the state superintendent of public instruction (SPI) is legally responsible for overseeing the fiscal solvency of both organizations. Because the two organizations operate as one, the SPI’s oversight letters make no distinction between the solvency of the two organizations. For financial reporting purposes, the county office of</p>		✓	<input type="checkbox"/>

education budget is tracked separately from the school district’s in the county school service fund.

Below is a summary of deficiencies the SPI identified in its oversight letters, items the district has addressed to date, and items it must still address.

Deficiency: Issues with implementation of EPowerSF Personnel and Payroll System remain	
<p>District must:</p> <ul style="list-style-type: none"> Determine and resolve 2021-22 and 2022-23 over/underpayments. Reconcile state teachers’ retirement system contributions, both STRS & 403(b). 	<p>District has addressed the following:</p> <ul style="list-style-type: none"> System issues related to 403(b) plan contributions. Decided to transition to a new enterprise resource planning (ERP) software that will help it automate, manage and integrate the payroll, human resources, budget, and accounting systems.
Deficiency: Need to Fully Address Structural Deficit Spending and Declining Enrollment	
<p>District must:</p> <ul style="list-style-type: none"> Fully implement its new staffing model to align staff with enrollment. Track positions that were shifted from the unrestricted general fund to one-time restricted funding sources, and eliminate or find funding for positions when funding expires in 2025-26. 	<p>District has addressed the following:</p> <ul style="list-style-type: none"> Board-approved budget balancing solutions at the December 12, 2023 board meeting.
Deficiency: Inadequate Position Control	
<p>District must:</p> <ul style="list-style-type: none"> Implement a position control system that identifies budgeted, filled and vacant positions. 	<p>District has addressed the following:</p> <ul style="list-style-type: none"> Identified 700 positions to eliminate from the current year general fund budget. Stopped including large numbers of vacant positions in its budget.
Deficiency: Accuracy of Financial Projections	
<p>District must include in each budget report:</p> <ul style="list-style-type: none"> Updated revenues, expenditures and budget revisions. Salaries based on actual staff salaries rather than district averages. 	<p>District has addressed the following:</p> <ul style="list-style-type: none"> Updated revenues included with the 2022-23 second interim report.
Deficiency: Organizational Structure and Hire for Vacant Head Financial Officer¹ Position	
<p>District must:</p> <ul style="list-style-type: none"> Begin recruiting to hire a permanent head financial officer by the time of the 2023-24 adopted budget. 	<p>District has addressed the following:</p> <ul style="list-style-type: none"> Created and filled a new executive director, budget and accounting position. Hired an interim associate superintendent of business services.
Deficiency: Significant delay of 2021-22 audit report and disclaimer of opinion issued by auditor, resulting in an inability to rely on reported beginning fund balances	
<p>District must:</p> <ul style="list-style-type: none"> By December 15, 2023, submit its 2022-23 audit report to the California Department of Education (CDE). 	<p>District has:</p> <ul style="list-style-type: none"> Not submitted its 2022-23 audit report by December 15, 2023. Instead, the district requested an extension of the deadline to complete the 2022-23 audit to March 31, 2024. Its 2021-22 audit was submitted and approved.

¹This is the district’s term for what is known as the chief business official (CBO) position in most districts and in most of this report.

- 3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure?**
- 3.8 Does the district encumber and adjust encumbrances for salaries and benefits?**

Because the district’s financial, payroll and human resources systems are not integrated, the district does not encumber salaries and benefits.
- 3.9 Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close?**

Although the district has made progress reconciling some balance sheet accounts in the general ledger, it did not provide evidence that all balance sheet accounts are reconciled at each interim reporting period and at year-end close.
- 3.10 For the most recent and two prior fiscal years, have the interim reports and the unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code?**

The CDE’s oversight letter for the 2021-22 second interim report indicated that the district submitted its report on March 25, 2022, but the statutory deadline was March 17, 2022.

4. Cash Management

- | | Yes | No | N/A |
|--|-----|----|-----|
| <p>4.1 Are accounts held by the county treasurer reconciled with the district’s and county office of education’s reports monthly? <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/></p> <p>Reports provided by the district indicate that accounts are not reconciled regularly. Account activity from August through October of 2023 was not reconciled until January 2024. The district did not provide reconciliation reports for November through December of 2023.</p> | | | |
| <p>4.2 Does the district reconcile all bank (cash and investment) accounts with bank statements monthly? <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/></p> <p>The district did not provide FCMAT with reconciliation reports for all of its bank accounts or any evidence that these accounts are reconciled monthly.</p> | | | |
| <p>4.3 Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known? <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/></p> <p>The district did not provide FCMAT with a cash flow projection for the subsequent fiscal year.</p> | | | |
| <p>4.4 If the district’s cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year? <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/></p> <p>The district is showing sufficient cash in the current year, but it does not create cash flows for more than the current year, so the cash needs for the subsequent year are not known.</p> | | | |
| <p>4.5 Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds? <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> | | | |

- 4.6 If interfund borrowing is occurring, does the district comply with Education Code Section 42603? ✓
- 4.7 If the district is managing cash in any fund(s) through external borrowing, does the district’s cash flow projection include repayment based on the terms of the loan agreement? ✓

5. Charter Schools

- | | Yes | No | N/A |
|---|-----|--------------------------|--------------------------|
| 5.1 Does the district have a board policy or other written document(s) regarding charter oversight? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.2 Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.3 Are all charters authorized by the district going concerns and not in fiscal distress? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.4 Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |

6. Collective Bargaining Agreements

- | | Yes | No | N/A |
|--|--------------------------|--------------------------|--------------------------|
| 6.1 Has the district settled with all its bargaining units for the past two fiscal years? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.2 Has the district settled with all its bargaining units for the current year? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| Negotiations remain open for the following bargaining units for the current year: | | | |
| <ul style="list-style-type: none"> • Common Crafts. • International Brotherhood of Electrical Workers, Local 6. • International Union of Operating Engineers, Local 39. • United Administrators of San Francisco. | | | |
| 6.3 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.4 Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.5 In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements including step and column increases at or under the funded cost of living adjustment (COLA)? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |

It was not possible to calculate the cost of settlements in the current and prior two fiscal years using the information provided to FCMAT. FCMAT made multiple requests for additional information but did not receive it.

6.6	If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district’s proposal(s)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6.7	Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.8	Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Neither the CBO nor the superintendent certified in writing the public disclosure statements for the tentative agreements between the LEA and the Service Employees International Union and United Educators of San Francisco, which were presented to the governing board on December 12, 2023.			
	The district indicated that these items were not signed before the board meeting because the board needed to approve budget balancing solutions before the CBO and superintendent could certify the agreement’s affordability.			
6.9	Is the governing board’s action consistent with the superintendent’s and CBO’s certification?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	The board approved the tentative agreement as presented on December 12, 2023, despite the lack of signatures from the superintendent and CBO on the public disclosure statements.			

7. Contributions and Transfers

	Yes	No	N/A
7.1	Does the district have a board-approved plan to eliminate, reduce or control any contributions/transfers from the unrestricted general fund to other restricted programs and funds?		
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	The district has a board-approved budget balancing plan, but it does not address the need to eliminate, reduce or control any contributions or transfers from the unrestricted general fund to restricted programs and funds.		
7.2	If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?		
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.3	If any contributions/transfers were required for restricted programs and/or other funds in either of the two prior fiscal years, and there is a need in the current year, did the district budget for them at reasonable levels?		
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. Deficit Spending (Unrestricted General Fund)²

	Yes	No	N/A
8.1	Is the district avoiding deficit spending in the current fiscal year?		
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.2	Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?		
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

² Updated information on deficit spending can be found in the Significant Subsequent Events section of this report

- 8.3 If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency? ✓
- 8.4 Has the district decreased deficit spending over the past two fiscal years? ✓

9. Employee Benefits

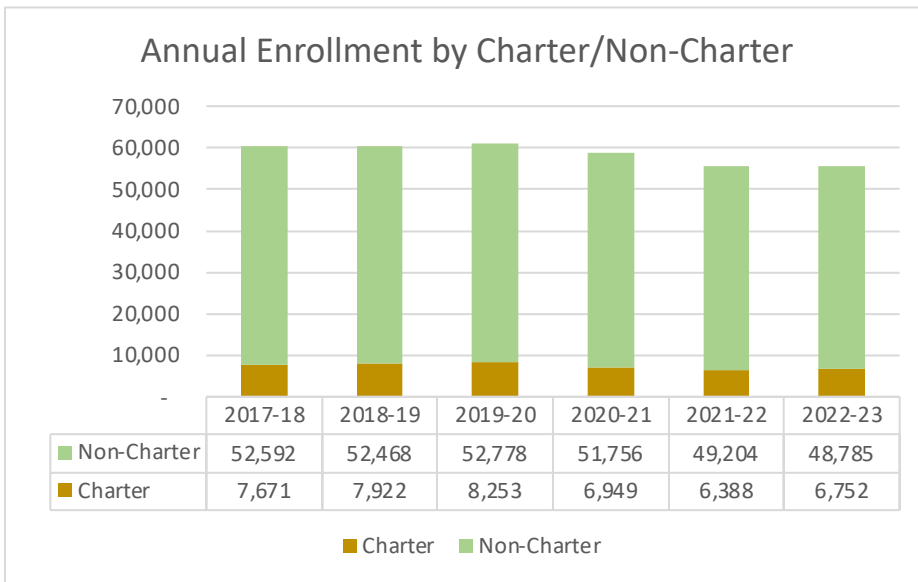
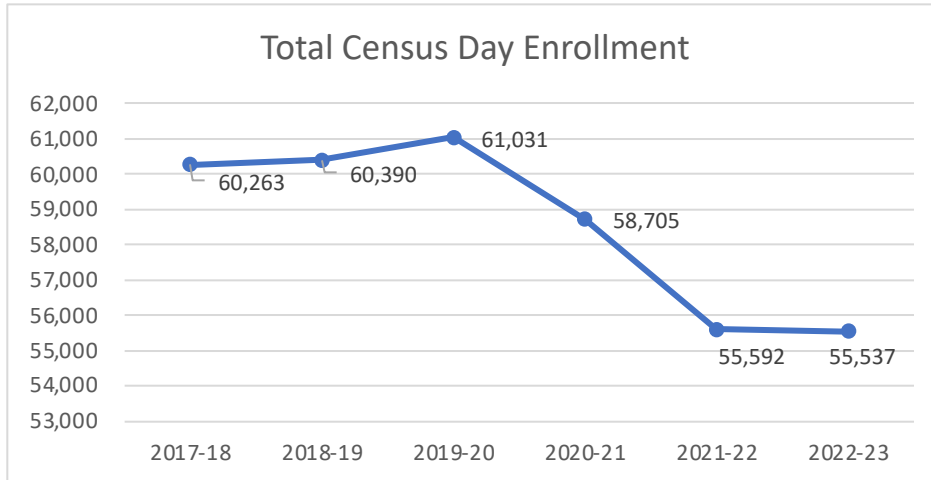
- | | Yes | No | N/A |
|--|--------------------------|--------------------------|--------------------------|
| 9.1 Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 9.2 Does the district have a plan to fund its liabilities for retiree health and welfare benefits with the total of annual required service payments (legal, contractual or locally defined such as pay-as-you-go premiums, trust agreement obligations, or a board adopted commitment) no greater than 2% of the district's unrestricted general fund revenues? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| <p>The district uses object code range 37xx to account for post-employment benefit costs. At 2022-23 fiscal year end, these costs totaled \$31.4 million, which is 4.5% of the district's unrestricted general fund revenues for the same period.</p> | | | |
| 9.3 Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| <p>Various collective bargaining agreements with the district specify maximum accumulated vacation hours depending on years of service; however, the district does not follow these maximums. In interviews, staff indicated that employees are allowed to accrue more hours than are stipulated in the agreements. The district did not provide a report showing available vacation balances for each employee.</p> | | | |
| 9.4 Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| <p>The system of record for health and vision benefits is managed by the City and County of San Francisco. The district reported that the City and County of San Francisco conducted a verification and determination of eligibility in 2017. The district manages its own dental benefits and does not have any record of performing a verification and determination of eligibility for benefits.</p> | | | |
| 9.5 Does the district track, reconcile and report employees' compensated leave balances? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |

10. Enrollment and Attendance

Yes No N/A

10.1 Has the district’s enrollment been increasing or remained stable for the current and two prior years?

According to Ed-Data, and as shown in the charts below, total enrollment declined by 5,494 from 2019-20 to 2022-23. The total enrollment decline for charter schools from 2019-20 to 2021-22 was 1,865, which was partially offset by a small increase of 364 in 2022-23. The total enrollment decline for noncharter schools was 3,993.



10.2 Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P2)?

No evidence was provided to show that the district monitors and analyzes enrollment and attendance monthly. In interviews, staff indicated that it is not clear how or if this is tracked and monitored.

- 10.3 Does the district track historical enrollment and ADA data to establish future trends?** . . . ✓
- The district did not provide documentation to demonstrate that enrollment and ADA are being tracked and used to establish future trends.
- 10.4 Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels?** ✓
- Staff reported that attendance and enrollment are reconciled at schools. The school staff receive assistance from the enrollment center staff to complete their enrollment reconciliation. No evidence was provided to indicate this was happening monthly. It was also not clear whether any monthly reconciliation of attendance is being performed at the district level.
- 10.5 Has the district certified its California Longitudinal Pupil Achievement Data System (CALPADS) data by the required deadlines (Fall 1, Fall 2, EOY) for the current and two prior years?** ✓
- Based on records from California School Information Services (CSIS), the district has been on the certification delinquent list regularly for the two prior years.
- In 2021-22, the CALPADS Fall 1 and Fall 2 deadlines were February 11, 2022 and March 11, 2022, respectively. The district did not certify until February 13, 2022 and March 20, 2022, respectively.
- In 2022-23, the CALPADS Fall 1 and Fall 2 deadlines were January 27, 2023 and March 10, 2023, respectively. The district did not certify until January 28, 2023 and March 11, 2023, respectively.
- The data certified in the CALPADS annual submissions are used for many purposes, including funding calculations for various state and federal programs and accountability metrics. Failure to certify this data on time can negatively affect the district’s LCFE funding and its data posted on the California School Dashboard.
- 10.6 Are the district’s enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations?** ✓
- The district did not provide evidence of its method(s) for projecting enrollment.
- 10.7 Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines?** ✓
- Staff interviewed indicated that although central office departments review and verify their CALPADS data and make corrections as needed before submission deadlines, schools do not.
- 10.8 Has the district planned for enrollment losses to charter schools?** ✓
- 10.9 Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved?** ✓
- Although the district’s Board Policy and Administrative Regulation 5117 states the district’s policy for interdistrict attendance, it does not clarify how the district would limit outgoing interdistrict transfers. Staff reported that common practice is to approve outgoing interdistrict transfers, because of the understanding that historically incoming interdistrict transfers have exceeded outgoing transfers. FCMAT was not

provided with a list of transfers in and out of the district, so the team could not confirm the validity of this assumption.

Staff reported that the district’s current focus is to monitor the number of students leaving the district to attend private schools. The district’s most recent information reported to the CDE identifies the number of students attending private schools in San Francisco County, from 2019-20 through 2022-2023. The estimated percentage of San Francisco’s K-12 students attending private schools is 30%. Information on private schools can be found on the CDE website at: <https://www.cde.ca.gov/ds/si/ps/psastatcountsbycnty.asp>.

- 10.10 Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement? ✓

11. Facilities

	Yes	No	N/A
<p>11.1 If the district participates in the state’s School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account? <input type="checkbox"/> ✓ <input type="checkbox"/></p> <p>The district’s 2023-24 adopted budget Form 01CS indicates that the district did not meet the required minimum contribution.</p>			
11.2 Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects? ✓ <input type="checkbox"/> <input type="checkbox"/>			
11.3 Does the district properly track and account for facility-related projects? ✓ <input type="checkbox"/> <input type="checkbox"/>			
<p>11.4 Does the district use its facilities fully in accordance with the Office of Public School Construction’s loading standards? <input type="checkbox"/> ✓ <input type="checkbox"/></p> <p>Facility use varies significantly throughout the district because of its enrollment of choice policy, which allows families to choose the school they want their children to attend.</p>			
11.5 Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget? ✓ <input type="checkbox"/> <input type="checkbox"/>			
<p>11.6 Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues? <input type="checkbox"/> ✓ <input type="checkbox"/></p> <p>The district’s October 20, 2023 quarterly Williams report indicates that two complaints were not resolved within 30 working days as required. In addition, the district was remediating 12 open Williams complaints within the required timeline and fulfilling the obligation to respond within 45 working days.</p>			
11.7 If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens’ bond oversight committee? ✓ <input type="checkbox"/> <input type="checkbox"/>			
11.8 Does the district have a long-range facilities master plan that reflects its current and projected facility needs? ✓ <input type="checkbox"/> <input type="checkbox"/>			

12. Fund Balance and Reserve for Economic Uncertainty

	Yes	No	N/A
12.1 Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.2 Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.3 If the district is not able to maintain the minimum reserve for economic uncertainty, does the district’s multiyear financial projection include a board-approved plan to restore the reserve?	<input type="checkbox"/>	<input type="checkbox"/>	✓
12.4 Is the district’s projected unrestricted fund balance stable or increasing in the two subsequent fiscal years?	✓	<input type="checkbox"/>	<input type="checkbox"/>
12.5 If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level?	✓	<input type="checkbox"/>	<input type="checkbox"/>

13. General Fund – Current Year

	Yes	No	N/A
13.1 Does the district ensure that one-time revenues do not pay for ongoing expenditures?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>The district's 2023-24 adopted budget includes as budget-balancing measures the shifting of \$33 million in unrestricted costs to restricted resources and the commitment of \$50 million in one-time funds for unsettled labor negotiation costs.</p> <p>The CDE budget review letter dated September 15, 2023 notes concern that the district projects to transfer the following:</p> <p style="padding-left: 40px;">\$33 million of unrestricted costs, including 242 positions, to one-time restricted funding sources in 2023-24 & 2024-25. The multi-year assumptions for the unrestricted general fund do not consider the return of these expenditures in 2025-26, when the one-time restricted funding expires.</p> <p style="padding-left: 40px;">Although Board resolution #236-6Sp2, adopted June 20, 2023, commits to eliminating the structural deficit, additional Board action is needed to eliminate these expenditures and positions when the one-time funding expires or find additional ongoing funding sources to support them.</p> <p>In addition, with the 2023-24 negotiations settlement, the district has identified that it will move an additional \$48 million from unrestricted to one-time restricted funds in 2023-24. These expenditures must be addressed in the district’s 2024-25 budget reductions.</p>			
13.2 Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the current year?	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 13.3 Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the two prior years?**
- According to Ed-Data, In 2021-22, the district allocated 93% of its general fund unrestricted expenditure budget to salaries and benefits. The statewide average for districts as of 2021-22 (the latest data available) was 87%.
- In 2022-23, the district was at the statewide average of 87%.
- 13.4 If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or two prior years, is the district addressing the complaint(s)?**
- 13.5 Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds?**
- 13.6 Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time?.**
- The district’s 2023-24 adopted budget includes an ending balance of \$3,702 for the California Clean Energy Jobs Act (Proposition 39). These funds were available for encumbrance only through June 30, 2019. All projects were required to have been fully installed and completed by June 30, 2021. These unspent funds may need to be returned to the state.
- 13.7 Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? .**
- The district’s unaudited actuals for the three prior fiscal years (2020-21, 2021-22 and 2022-23) indicate that it charges the maximum indirect cost rate to most restricted resources but excludes the special education program, which receives a contribution from unrestricted resources.
- Charging the maximum allowable rate would allow the district to track the full, actual cost of each program. The district should charge the full indirect costs rate to all allowable restricted programs, including the special education program, even when it results in or increases the contribution from unrestricted funds.

14. Information Systems and Data Management

- | | Yes | No | N/A |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| 14.1 Does the district use an integrated financial and human resources system? | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| The district’s human resources and payroll system (EMPowerSF) is separate from its financial system (PeopleSoft). | | | |
| 14.2 Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14.3 Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14.4 Is the district using the same financial system as its county office of education? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

- 14.5 If the district is using a separate financial system from its county office of education, is there an automated interface that allows data to be sent and received by both the district and county financial systems? ✓
- 14.6 If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance? ✓

15. Internal Controls and Fraud Prevention

	Yes	No	N/A
15.1 Does the district have controls that limit access to its financial system and include multiple levels of authorization?	✓	<input type="checkbox"/>	<input type="checkbox"/>
15.2 Are the district's financial system's access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually?	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>According to staff interviews, the district provides access and authorization controls upon request but does not consistently update access and authorization controls when employees resign, leave employment, or are demoted.</p>			
15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?:			
• Accounts payable (AP)	✓	<input type="checkbox"/>	<input type="checkbox"/>
• Accounts receivable (AR)	✓	<input type="checkbox"/>	<input type="checkbox"/>
• Purchasing and contracts	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>Based on interviews and a review of the district's organizational chart, segregation of duties exists for purchasing and contracts. The Procurement, Budget, and Technology departments are under the Business Services Division. These departments are where most purchasing and contracts are managed. Within the Technology department, the Operations for Projects and Partnership unit manages its own purchasing and contracts. Although duties may be segregated in these departments, it is unclear who supervises and monitors this activity at the district level. Interviews also indicated that controls could be weak because school staff and administrators may be able to circumvent procurement processes.</p>			
• Payroll	<input type="checkbox"/>	✓	<input type="checkbox"/>
<p>Since the district implemented its EMPowerSF personnel and payroll systems, it has experienced major issues and errors in payroll and retirement functions. The district's governing board has prioritized resolving these payroll and retirement issues and errors. Consequently, the district has hired consultants and directed all district payroll staff to prioritize corrective actions.</p> <p>Because of the prioritization of this work and the large number of corrective actions needed, the district has taken an all-hands-on-deck approach. Although the district's department structure allows for adequate segregation of duties, the district is not maintaining adequate segregation of duties for payroll.</p>			

- **Human resources (i.e., duties relative to position control and payroll processes).** ✓

Although the district’s organizational chart appears to provide for segregation of duties, staff indicated that the district does not have adequate supervision over position control and that new positions and stipends are added and paid without board approval.

- 15.4 Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year?** ✓

FCMAT reviewed the district’s SACS fund forms from the close of the prior year to the first interim report of the new year for 2021-22, 2022-23, and 2023-24. FCMAT compared the ending fund balance from the prior year to the beginning fund balance for the new year. The district posted beginning balances for the new year but provided no documents to show how beginning balances were reconciled with the prior years’ ending fund balances.

For funds 12, 14, 40 and 49, the 2021-22 ending fund balances did not match the 2022-23 beginning fund balances. The larger variances showed \$326,000 more in Fund 40 and \$6.9 million more in Fund 49. All beginning fund balances for 2023-24 matched the ending fund balances from 2022-23.

In addition, in the audit from fiscal year 2021-22, the district received a "disclaimer of opinion due to the inability to obtain sufficient appropriate audit evidence and material weakness in internal control over financial reporting." The audit firm was not able to obtain reasonable assurance about whether the financial statements were free from material misstatement. Some of the possible effects on the district's financial statements mentioned in the audit included possible material overstatement of the general fund ending fund balance, including the restricted ending fund balance on June 30, 2022, understatement of payroll liabilities, and possible errors in reported cafeteria fund revenues.

The county office and district requested an extension of its 2022-23 audit deadline from December 15, 2023 to March 31, 2024.

- 15.5 Does the district review and work to clear prior year accruals throughout the year?** . . . ✓

- 15.6 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education?** ✓

- 15.7 Does the district have processes and procedures to discourage and detect fraud?** ✓

Interviews with staff and documents received by FCMAT did not provide evidence that the district has fraud detection controls.

- 15.8 Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports?** ✓

Interviews with staff and documents received by FCMAT did not provide evidence that the district has a process for collecting reports of possible fraud.

- 15.9 Does the district have an internal audit process?** ✓

The district does not have a formal internal audit department or a documented auditing process.

16. Leadership and Stability

	Yes	No	N/A
<p>16.1 Does the district have a chief business official who has been with the district as chief business official for more than two years? <input type="checkbox"/></p> <p>The district is without a permanent chief business official; there is an outside consultant acting as interim. Interviews indicate that the district hopes to hire a permanent chief business official in the coming fiscal year, and the interim chief business official will help train the new hire.</p>	✓	<input type="checkbox"/>	<input type="checkbox"/>
<p>16.2 Does the district have a superintendent who has been with the district as superintendent for more than two years?. <input type="checkbox"/></p> <p>At the time of FCMAT’s fieldwork, the superintendent had been with the district since July 1, 2022, which was less than two years.</p>	✓	<input type="checkbox"/>	<input type="checkbox"/>
<p>16.3 Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet? <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>16.4 Is training on financial management and budget provided to site and department administrators who are responsible for budget management? <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>16.5 Does the governing board adopt and revise policies and administrative regulations annually? <input type="checkbox"/></p> <p>Policies are brought to the board only as needed. There is no formal method for monitoring board policies for updates when statutes or other factors change. In interviews, staff indicated that the district uses resolutions in place of policies, which does not help the district keep board policies relevant and current.</p> <p>FCMAT’s review of board policies revealed that most were updated from 2013 through 2022.</p>	✓	<input type="checkbox"/>	<input type="checkbox"/>
<p>16.6 Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff? <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>16.7 Do all board members attend training on the budget and governance at least every two years? <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>16.8 Is the superintendent’s evaluation performed according to the terms of the contract? . . . <input checked="" type="checkbox"/></p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

17. Multiyear Projections

	Yes	No	N/A
<p>17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? <input type="checkbox"/></p> <p>As it did for its budget assumptions, the district used industry best practices for the assumptions used for COLA and other state factors in its adopted budget; however, local assumptions regarding enrollment and staffing levels are not clearly articulated or well defined.</p>	✓	<input type="checkbox"/>	<input type="checkbox"/>

- 17.2 To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations?**

The district did not adjust enrollment projections in the LCFF Calculator in the current and two subsequent years to account for its continuing trend of declining enrollment. Overstating enrollment and associated ADA results in overstated projected LCFF revenue.
- 17.3 Does the district use its most current multiyear projection in making financial decisions?**
- 17.4 If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable?**

18. Non-Voter-Approved Debt and Risk Management

- | | Yes | No | N/A |
|---|-------------------------------------|--------------------------|-------------------------------------|
| <p>18.1 Are the sources of repayment for non-voter-approved debt (such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANS), revenue anticipation notes (RANS) and others) stable, predictable, and other than unrestricted general fund?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| <p>18.2 If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| <p>18.3 If the district is self-insured, has the district completed an actuarial valuation as required and have a plan to pay for any unfunded liabilities?</p> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <p>18.4 If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district’s unrestricted general fund revenues?</p> | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

19. Position Control

- | | Yes | No | N/A |
|--|--------------------------|-------------------------------------|--------------------------|
| <p>19.1 Does the district account for all positions and costs?</p> <p>The district uses an average salary method to account for positions and costs, which does not reflect the actual cost per position. The schools are charged for this average salary cost, and the difference is eventually covered by the district office.</p> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| <p>19.2 Does the district analyze and adjust staffing based on staffing ratios and enrollment? . . .</p> <p>The district adjusts allocations to schools based on the levels of multitiered system of supports, not based solely on school enrollment. As a result, staffing ratios vary considerably from school to school. At the time of interviews, staff informed FCMAT that the district will be changing to a new staffing model based on ratios and enrollment in fiscal year 2024-25.</p> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- 19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods?** ✓
- FCMAT was not provided with evidence in interviews or documents that budget, payroll and position control reconciliations are performed regularly. However, given the significant and documented problems of the last two years, there is clear evidence that the district does not reconcile these important position control elements.
- 19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board?** ✓
- Although the district verifies a budget source for new positions, the new positions are not taken to the board for authorization before individuals are hired.
- 19.5 Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted?** ✓
- Schools and departments are allocated an annual budget with which to fund their positions. Staffing determinations and assignments are made at the school or department level and approved internally by fiscal services and human resources for posting if there is sufficient funding in the budget. Board approval occurs after individuals are hired and placed in new positions or assignments.
- 19.6 Do managers and staff responsible for the district’s human resources, payroll and budget functions meet regularly to discuss issues and improve processes?** ✓
- FCMAT was not provided with documents that show regular meetings between human resources and payroll and budget personnel.

20. Special Education

- | | Yes | No | N/A |
|--|--------------------------|--------------------------|--------------------------|
| 20.1 Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 20.2 Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)? | <input type="checkbox"/> | <input type="checkbox"/> | ✓ |
| 20.3 Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 20.4 Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 20.5 Is the district’s contribution rate to special education at or below the statewide average contribution rate? | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 20.6 Is the district’s rate of identification of students as eligible for special education at or below the countywide and statewide average rates?. | ✓ | <input type="checkbox"/> | <input type="checkbox"/> |
| 20.7 Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period? | <input type="checkbox"/> | ✓ | <input type="checkbox"/> |
| The district does not analyze the special education maintenance of effort at each interim reporting period. | | | |

Risk Score, 20 numbered sections only:

50.7%

Key to Risk Score from 20 numbered sections only:

High Risk: 40% or more

Moderate Risk: 25-39.9%

Low Risk: 24.9% and lower

District Fiscal Solvency Risk Level, all FHRA factors:

High

(The existence of any condition from the Budget and Fiscal Status section, and/or a material weakness, will supersede the score above because it elevates the district's risk level.)

Appendices

Appendix A: Risk Analysis Results Comparison

1. Annual Independent Audit Report

	2022	2024
1.1 Has the district corrected the most recent and prior two years’ audit findings without affecting its fiscal health?	Yes	No
1.2 Has the audit report for the most recent fiscal year been completed and presented to the board within the statutory timeline? (Extensions of the timeline granted by the State Controller’s Office should be explained.)	Yes	No
1.3 Were the district’s most recent and prior two audit reports free of findings of material weaknesses?	Yes	No
1.4 Has the district corrected all reported audit findings from the most recent and prior two audits?	No	No

1. Annual Independent Audit Report			
	2022	2024	Change in Number of “No” Responses
Yes	3	0	Increased by 3
No	1	4	
N/A	0	0	

2. Budget Development and Adoption

	2022	2024
2.1 Does the district develop and use written budget assumptions and multiyear projections that are reasonable, are aligned with the county office of education instructions, and have been clearly articulated?	Yes	No
2.2 Does the district use a budget development method other than a prior-year rollover budget, and, if so, does that method include tasks such as review of prior year estimated actuals by major object code and removal of one-time revenues and expenses?	Yes	Yes
2.3 Does the district use position control data for budget development?	No	No
2.4 Does the district calculate the Local Control Funding Formula (LCFF) revenue correctly?	No	No
2.5 Has the district’s budget been approved unconditionally by its county office of education in the current and two prior fiscal years?	Yes	Yes
2.6 Does the budget development process include input from staff, administrators, the governing board, the community, and the budget advisory committee (if there is one)?	Yes	Yes
2.7 Does the district budget and expend restricted funds before unrestricted funds?	No	Yes

- 2.8 Have the Local Control and Accountability Plan (LCAP) and the budget been adopted within statutory timelines established by Education Code Sections 42103 and 52062 and filed with the county superintendent of schools no later than five days after adoption or by July 1, whichever occurs first, for the current and one prior fiscal year? Yes Yes
- 2.9 Has the district refrained from including carryover funds in its adopted budget?. Yes Yes
- 2.10 Other than objects in the 5700s and 7300s and appropriate abatements in accordance with the California School Accounting Manual, does the district avoid using negative or contra expenditure accounts?. No Yes
- 2.11 Does the district have a documented policy and/or procedure for evaluating the proposed acceptance of grants and other types of restricted funds and the potential multiyear impact on the district’s unrestricted general fund? Yes No
- 2.12 Does the district adhere to a budget calendar that includes statutory due dates, major budget development tasks and deadlines, and the staff members/departments responsible for completing them?. Yes Yes

2. Budget Development and Adoption			
	2022	2024	Change in Number of “No” Responses
Yes	8	8	No Change
No	4	4	
N/A	0	0	

3. Budget Monitoring and Updates

- | | 2022 | 2024 |
|--|------|------|
| 3.1 Are actual revenues and expenses consistent with the most current budget? | No | No |
| 3.2 Are budget revisions posted in the financial system at each interim report, at a minimum? . . | No | No |
| 3.3 Are clearly written and articulated budget assumptions that support budget revisions communicated to the board at each interim report, at a minimum?. | No | No |
| 3.4 Following board approval of collective bargaining agreements, does the district make necessary budget revisions in the financial system to reflect settlement costs in accordance with Education Code Section 42142? | Yes | Yes |
| 3.5 Do the district’s responses fully explain the variances identified in the criteria and standards?. | Yes | Yes |
| 3.6 Has the district addressed any deficiencies the county office of education has identified in its oversight letters in the most recent and two prior fiscal years? | No | No |
| 3.7 Does the district prohibit processing of requisitions or purchase orders when the budget is insufficient to support the expenditure? | Yes | Yes |
| 3.8 Does the district encumber and adjust encumbrances for salaries and benefits?. | No | No |
| 3.9 Are all balance sheet accounts in the general ledger reconciled at least at each interim report and at year end close? | No | No |

3.10 For the most recent and two prior fiscal years, have the interim reports and the unaudited actuals been adopted and filed with the county superintendent of schools within the timelines established in Education Code? **Yes No**

3. Budget Monitoring and Updates			
	2022	2024	Change in Number of "No" Responses
Yes	4	3	Increased by 1
No	6	7	
N/A	0	0	

4. Cash Management

	2022	2024
4.1 Are accounts held by the county treasurer reconciled with the district’s and county office of education’s reports monthly?	Yes	No
4.2 Does the district reconcile all bank (cash and investment) accounts with bank statements monthly?	Yes	No
4.3 Does the district forecast its general fund cash flow for the current and subsequent year and update it as needed to ensure cash flow needs are known?	No	No
4.4 If the district’s cash flow forecast shows insufficient cash in its general fund to support its current and projected obligations, does the district have a reasonable plan to address its cash flow needs for the current and subsequent year?	Yes	No
4.5 Does the district have sufficient cash resources in its other funds to support its current and projected obligations in those funds?	No	Yes
4.6 If interfund borrowing is occurring, does the district comply with Education Code Section 42603?.	No	Yes
4.7 If the district is managing cash in any fund(s) through external borrowing, does the district’s cash flow projection include repayment on the terms of the loan agreement?.	No	N/A*

4. Cash Management			
	2022	2024	Change in Number of "No" Responses
Yes	3	2	No Change
No	4	4	
N/A	0	1	

*N/A = Not Applicable

5. Charter Schools

	2022	2024
5.1 Does the district have a board policy or other written document(s) regarding charter oversight?.	Yes	Yes
5.2 Has the district fulfilled and does it have evidence showing fulfillment of its oversight responsibilities in accordance with Education Code Section 47604.32?.	Yes	Yes

- 5.3 Are all charters authorized by the district going concerns and not in fiscal distress? Yes Yes
- 5.4 Has the district identified specific employees in its various departments (e.g., human resources, business, instructional, and others) to be responsible for oversight of all approved charter schools? Yes Yes

5. Charter Schools			
	2022	2024	Change in Number of “No” Responses
Yes	4	4	No Change
No	0	0	
N/A	0	0	

6. Collective Bargaining Agreements

- | | 2022 | 2024 |
|--|------|------|
| 6.1 Has the district settled with all its bargaining units for the past two fiscal years? | No | Yes |
| 6.2 Has the district settled with all its bargaining units for the current year? | No | No |
| 6.3 Does the district accurately quantify the effects of collective bargaining agreements and include them in its budget and multiyear projections? | Yes | Yes |
| 6.4 Did the district conduct a presettlement analysis and identify related costs or savings, if any (e.g., statutory benefits, and step and column salary increase), for the current and subsequent years, and did it identify ongoing revenue sources or expenditure reductions to support the agreement? | Yes | Yes |
| 6.5 In the current and prior two fiscal years, has the district settled the total cost of the bargaining agreements including step and column increases at or under the funded cost of living adjustment (COLA)? | No | No |
| 6.6 If settlements have not been reached in the past two years, has the district identified resources to cover the costs of the district’s proposal(s)? | Yes | N/A |
| 6.7 Did the district comply with public disclosure requirements under Government Code Sections 3540.2 and 3547.5, and Education Code Section 42142? | Yes | Yes |
| 6.8 Did the superintendent and CBO certify the public disclosure of collective bargaining agreement prior to board approval? | No | No |
| 6.9 Is the governing board’s action consistent with the superintendent’s and CBO’s certification? . | No | No |

6. Collective Bargaining Agreements			
	2022	2024	Change in Number of “No” Responses
Yes	4	4	Decreased by 1
No	5	4	
N/A	0	1	

7. Contributions and Transfers

	2022	2024
7.1 Does the district have a board-approved plan to eliminate, reduce or control any contributions/transfers from the unrestricted general fund to other restricted programs and funds?	No	No
7.2 If the district has deficit spending in funds other than the general fund, has it included in its multiyear projection any transfers from the unrestricted general fund to cover any projected negative fund balance?	No	Yes
7.3 If any contributions/transfers were required for restricted programs and/or other funds in either of the two prior fiscal years, and there is a need in the current year, did the district budget for them at reasonable levels?	Yes	Yes

7. Contributions and Transfers			
	2022	2024	Change in Number of "No" Responses
Yes	1	2	Decreased by 1
No	2	1	
N/A	0	0	

8. Deficit Spending (Unrestricted General Fund)

	2022	2024
8.1 Is the district avoiding deficit spending in the current fiscal year?	Yes	Yes
8.2 Is the district projected to avoid deficit spending in both of the two subsequent fiscal years?	No	Yes
8.3 If the district has deficit spending in the current or two subsequent fiscal years, has the board approved and implemented a plan to reduce and/or eliminate deficit spending to ensure fiscal solvency?	No	Yes
8.4 Has the district decreased deficit spending over the past two fiscal years?	No	Yes

8. Deficit Spending			
	2022	2024	Change in Number of "No" Responses
Yes	1	4	Decreased by 3
No	3	0	
N/A	0	0	

9. Employee Benefits

	2022	2024
9.1 Has the district completed an actuarial valuation in accordance with Governmental Accounting Standards Board (GASB) requirements to determine its unfunded liability for other post-employment benefits (OPEB)?	Yes	Yes

- 9.2 Does the district have a plan to fund its liabilities for retiree health and welfare benefits with the total of annual required service payments (legal, contractual or locally defined such as pay-as-you-go premiums, trust agreement obligations, or a board adopted commitment) no greater than 2% of the district’s unrestricted general fund revenues? . . . No No
- 9.3 Has the district followed a policy or collectively bargained agreement to limit accrued vacation balances? Yes No
- 9.4 Within the last five years, has the district conducted a verification and determination of eligibility for benefits for all active and retired employees and dependents? No No
- 9.5 Does the district track, reconcile and report employees’ compensated leave balances? . . . Yes Yes

9. Employee Benefits			
	2022	2024	Change in Number of “No” Responses
Yes	3	2	Increased by 1
No	2	3	
N/A	0	0	

10. Enrollment and Attendance

- | | 2022 | 2024 |
|---|------|------|
| 10.1 Has the district’s enrollment been increasing or remained stable for the current and two prior years? | No | No |
| 10.2 Does the district monitor and analyze enrollment and average daily attendance (ADA) data at least monthly through the second attendance reporting period (P2)? | Yes | No |
| 10.3 Does the district track historical enrollment and ADA data to establish future trends? | Yes | No |
| 10.4 Do school sites maintain an accurate record of daily enrollment and attendance that is reconciled monthly at the site and district levels? | Yes | No |
| 10.5 Has the district certified its California Longitudinal Pupil Achievement Data System (CALPADS) data by the required deadlines (Fall 1, Fall 2, EOY) for the current and two prior years? | Yes | No |
| 10.6 Are the district’s enrollment projections and assumptions based on historical data, industry-standard methods, and other reasonable considerations? | Yes | No |
| 10.7 Do all applicable sites and departments review and verify their respective CALPADS data and correct it as needed before the report submission deadlines? | Yes | No |
| 10.8 Has the district planned for enrollment losses to charter schools? | Yes | Yes |
| 10.9 Does the district follow established board policy to limit outgoing interdistrict transfers and ensure that only students who meet the required qualifications are approved? | Yes | No |

10.10 Does the district meet the student-to-teacher ratio requirement of no more than 24-to-1 for each school in grades TK-3 classes, or, if not, does it have and adhere to an alternative collectively bargained agreement? **Yes Yes**

10. Enrollment and Attendance			
	2022	2024	Change in Number of “No” Responses
Yes	9	2	Increased by 7
No	1	8	
N/A	0	0	

11. Facilities

	2022	2024
11.1 If the district participates in the state’s School Facilities Program, has it met the required contribution for the Routine Restricted Maintenance Account?	Yes	No
11.2 Does the district have sufficient and available capital outlay and/or bond funds to cover all contracted obligations for capital facilities projects?	Yes	Yes
11.3 Does the district properly track and account for facility-related projects?	Yes	Yes
11.4 Does the district use its facilities fully in accordance with the Office of Public School Construction’s loading standards?	No	No
11.5 Does the district include facility needs (maintenance, repair and operating requirements) when adopting a budget?	Yes	Yes
11.6 Has the district met the facilities inspection requirements of the Williams Act and resolved any outstanding issues?.	Yes	No
11.7 If the district passed a Proposition 39 general obligation bond, has it met the requirements for audit, reporting, and a citizens’ bond oversight committee?	No	Yes
11.8 Does the district have a long-range facilities master plan that reflects its current and projected facility needs?	No	Yes

11. Facilities			
	2022	2024	Change in Number of “No” Responses
Yes	5	5	No Change
No	3	3	
N/A	0	0	

12. Fund Balance and Reserve for Economic Uncertainty

	2022	2024
12.1 Is the district able to maintain the minimum reserve for economic uncertainty in the current year (including Fund 01 and Fund 17) as defined by criteria and standards?	Yes	Yes
12.2 Is the district able to maintain the minimum reserve for economic uncertainty in the two subsequent years?	No	Yes

- 12.3 If the district is not able to maintain the minimum reserve for economic uncertainty, does the district’s multiyear financial projection include a board-approved plan to restore the reserve? No N/A
- 12.4 Is the district’s projected unrestricted fund balance stable or increasing in the two subsequent fiscal years? No Yes
- 12.5 If the district has unfunded or contingent liabilities or one-time costs other than post-employment benefits, does the unrestricted general fund balance include sufficient assigned or committed reserves above the recommended reserve level? Yes Yes

12. Fund Balance and Reserve for Economic Uncertainty			
	2022	2024	Change in Number of “No” Responses
Yes	2	4	Decreased by 3
No	3	0	
N/A	0	1	

13. General Fund – Current Year

- | | 2022 | 2024 |
|--|------|------|
| 13.1 Does the district ensure that one-time revenues do not pay for ongoing expenditures? | No | No |
| 13.2 Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the current year? | No | Yes |
| 13.3 Is the percentage of the district’s general fund unrestricted expenditure budget that is allocated to salaries and benefits at or below the statewide average for the two prior years? | Yes | No |
| 13.4 If the district has received any uniform complaints or legal challenges regarding local use of supplemental and concentration grant funding in the current or two prior years, is the district addressing the complaint(s)? | N/A | N/A |
| 13.5 Does the district either ensure that restricted dollars are sufficient to pay for staff assigned to restricted programs or have a plan to fund these positions with unrestricted funds? | Yes | Yes |
| 13.6 Is the district using its restricted dollars fully by expending allocations for restricted programs within the required time? | No | No |
| 13.7 Does the district account for program costs, including the maximum allowable indirect costs, for each restricted resource and other funds? | No | No |

13. General Fund – Current Year			
	2022	2024	Change in Number of “No” Responses
Yes	2	2	No Change
No	4	4	
N/A	1	1	

14. Information Systems and Data Management

- | | 2022 | 2024 |
|--|------|------|
| 14.1 Does the district use an integrated financial and human resources system? | Yes | No |

- 14.2 Does the district use the system(s) to provide key financial and related data, including personnel information, to help the district make informed decisions? Yes Yes
- 14.3 Has the district accurately identified students who are eligible for free or reduced-price meals, English learners, and foster youth, in accordance with the LCFF and its LCAP? No Yes
- 14.4 Is the district using the same financial system as its county office of education? Yes N/A
- 14.5 If the district is using a separate financial system from its county office of education, is there an automated interface that allows data to be sent and received by both the district and county financial systems? N/A N/A
- 14.6 If the district is using a separate financial system from its county office of education, has the district provided the county office with direct access so the county office can provide oversight, review and assistance? N/A N/A

14. Information Systems and Data Management			
	2022	2024	Change in Number of “No” Responses
Yes	3	2	No Change
No	1	1	
N/A	2	3	

15. Internal Controls and Fraud Prevention

- | | 2022 | 2024 |
|--|------|------|
| 15.1 Does the district have controls that limit access to its financial system and include multiple levels of authorization? | Yes | Yes |
| 15.2 Are the district’s financial system’s access and authorization controls reviewed and updated upon employment actions (e.g., resignations, terminations, promotions or demotions) and at least annually? | Yes | No |
| 15.3 Does the district ensure that duties in the following areas are segregated, and that they are supervised and monitored?: | | |
| • Accounts payable (AP) | Yes | Yes |
| • Accounts receivable (AR) | Yes | Yes |
| • Purchasing and contracts. | Yes | No |
| • Payroll | Yes | No |
| • Human resources (i.e., duties relative to position control and payroll processes). | Yes | No |
| 15.4 Are beginning balances for the new fiscal year posted and reconciled with the ending balances for each fund from the prior fiscal year? | Yes | No |
| 15.5 Does the district review and work to clear prior year accruals throughout the year? | Yes | Yes |
| 15.6 Has the district reconciled and closed the general ledger (books) within the time prescribed by the county office of education? | Yes | Yes |
| 15.7 Does the district have processes and procedures to discourage and detect fraud? | No | No |
| 15.8 Does the district have a process for collecting reports of possible fraud (such as an anonymous fraud reporting hotline) and for following up on such reports? | No | No |

15.9 Does the district have an internal audit process? No No

15. Internal Controls and Fraud Prevention			
	2022	2024	Change in Number of "No" Responses
Yes*	10	5	Increased by 5
No	3	8	
N/A	0	0	

*Item 15.3 includes sub-items, so the total number of possible "yes", "no," or "N/A" responses is greater than the number of section items.

16. Leadership and Stability

2022 2024

- 16.1 Does the district have a chief business official who has been with the district as chief business official for more than two years? Yes No**
- 16.2 Does the district have a superintendent who has been with the district as superintendent for more than two years? Yes No**
- 16.3 Does the superintendent meet on a scheduled and regular basis with all members of their administrative cabinet? Yes Yes**
- 16.4 Is training on financial management and budget provided to site and department administrators who are responsible for budget management? Yes Yes**
- 16.5 Does the governing board adopt and revise policies and administrative regulations annually? Yes No**
- 16.6 Are newly adopted or revised policies and administrative regulations implemented, communicated and available to staff? Yes Yes**
- 16.7 Do all board members attend training on the budget and governance at least every two years? No Yes**
- 16.8 Is the superintendent's evaluation performed according to the terms of the contract? No Yes**

16. Leadership and Stability			
	2022	2024	Change in Number of "No" Responses
Yes	6	5	Increased by 1
No	2	3	
N/A	0	0	

17. Multiyear Projections

2022 2024

- 17.1 Has the district developed multiyear projections that include detailed assumptions aligned with industry standards? Yes No**
- 17.2 To help calculate its multiyear projections, did the district prepare an accurate LCFF calculation with multiyear considerations? No No**
- 17.3 Does the district use its most current multiyear projection in making financial decisions? No Yes**

- 17.4** If the district uses a broad adjustment category in its multiyear projection (such as line B10, B1d, B2d Other Adjustments, in the SACS Form MYP/MYPI), is there a detailed list of what is included in the adjustment amount and are the adjustments reasonable? **Yes** **N/A**

17. Multiyear Projections			
	2022	2024	Change in Number of "No" Responses
Yes	2	1	No Change
No	2	2	
N/A	0	1	

18. Non-Voter-Approved Debt and Risk Management

- | | 2022 | 2024 |
|--|------------|------------|
| 18.1 Are the sources of repayment for non-voter-approved debt (such as certificates of participation (COPs), bridge financing, bond anticipation notes (BANS), revenue anticipation notes (RANS) and others) stable, predictable, and other than unrestricted general fund? | No | N/A |
| 18.2 If the district has issued non-voter-approved debt, has its credit rating remained stable or improved during the current and two prior fiscal years? | No | N/A |
| 18.3 If the district is self-insured, has the district completed an actuarial valuation as required and have a plan to pay for any unfunded liabilities? | Yes | Yes |
| 18.4 If the district has non-voter-approved debt (such as COPs, bridge financing, BANS, RANS and others), is the total of annual debt service payments no greater than 2% of the district's unrestricted general fund revenues? | Yes | N/A |

18. Non-Voter-Approved Debt and Risk Management			
	2022	2024	Change in Number of "No" Responses
Yes	2	1	Decreased by 2
No	2	0	
N/A	0	3	

19. Position Control

- | | 2022 | 2024 |
|--|------------|-----------|
| 19.1 Does the district account for all positions and costs? | Yes | No |
| 19.2 Does the district analyze and adjust staffing based on staffing ratios and enrollment? | No | No |
| 19.3 Does the district reconcile budget, payroll and position control regularly, at least at budget adoption and interim reporting periods? | Yes | No |
| 19.4 Does the district identify a budget source for each new position before the position is authorized by the governing board? | Yes | No |
| 19.5 Does the governing board approve all new positions and extra assignments (e.g., stipends) before positions are posted? | Yes | No |

19.6 Do managers and staff responsible for the district’s human resources, payroll and budget functions meet regularly to discuss issues and improve processes? **Yes No**

19. Position Control			
	2022	2024	Change in Number of “No” Responses
Yes	5	0	Increased by 5
No	1	6	
N/A	0	0	

20. Special Education

	2022	2024
20.1 Does the district monitor, analyze and adjust staffing ratios, class sizes and caseload sizes to align with statutory requirements and industry standards?	No	Yes
20.2 Does the district access available funding sources for costs related to special education (e.g., excess cost pool, legal fees, mental health)?	Yes	N/A
20.3 Does the district use appropriate tools to help it make informed decisions about whether to add services (e.g., special circumstance instructional assistance process and form, transportation decision tree)?	No	Yes
20.4 Does the district budget and account correctly for all costs related to special education (e.g., transportation, due process hearings, indirect costs, nonpublic schools and/or nonpublic agencies)?	No	Yes
20.5 Is the district’s contribution rate to special education at or below the statewide average contribution rate?	No	Yes
20.6 Is the district’s rate of identification of students as eligible for special education at or below the countywide and statewide average rates?	Yes	Yes
20.7 Does the district analyze whether it will meet the maintenance of effort requirement at each interim reporting period?	No	No

20. Special Education			
	2022	2024	Change in Number of “No” Responses
Yes	2	5	Decreased by 4
No	5	1	
N/A	0	1	

Appendix B: Study Agreement



FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT November 17, 2023

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the San Francisco 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). In accordance with the 2018-19 Budget Act, the team has been assigned to study the district's fiscal health because the district received a lack of going concern designation from the California Department of Education (CDE). The team may include staff from FCMAT, county offices of education, the CDE, other school districts, or private contractors. All work shall be performed in accordance with the terms, standards and conditions of this agreement.

The CDE 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 identify the district's specific risk rating for fiscal insolvency.

B. Services and Products to be Provided

1. Orientation Meeting – If on-site review is needed, 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. Draft Report – Electronic copies of a preliminary draft report will be delivered to the district's administration for review and comment.
4. Final Report – Electronic copies of the final report 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.
5. Board Presentation – The team will make a presentation regarding the final report at a district board meeting.

3. PROJECT PERSONNEL

The FCMAT study team may include:

- | | |
|------------------------------------|--------------------|
| <i>A. Tami Montero, CFE</i> | <i>FCMAT Staff</i> |
| <i>B. Roslynne Manansala-Smith</i> | <i>FCMAT Staff</i> |
| <i>C. Jennifer Nerat</i> | <i>FCMAT Staff</i> |

4. PROJECT COSTS

Pursuant to the 2018-19 Budget Act, costs for the study shall be as follows:

- A. All staff member and consultant daily rates and expenses will be covered by a specific state apportionment for this purpose.
- B. Based on the elements noted in section 2A, the total cost of the services is \$0.**

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 items:
 - 1. Current or proposed detailed organizational charts.
 - 2. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the district and sent to FCMAT in electronic format.
 - 3. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the district will upload all requested documents.
- C. The district's administration will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report. All such comments should be provided to the team within five working days after receipt of the draft.

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

6. PROJECT SCHEDULE

The schedule of services will be determined jointly by FCMAT and the district.

7. COMMENCEMENT 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 report, 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 draft report and a final report. The district understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the 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. Upon the request of the district and the receipt of the signed study agreement, FCMAT shall provide certificates of insurance, with San Francisco Unified School District named as additional insured, indicating applicable insurance coverages.

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 FCMAT's 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 solely from negligent acts or omissions of the district's board, officers, agents and employees undertaken under this agreement.

11. COVID-19 PANDEMIC

Because of the existence of COVID-19 and the resulting shelter-at-home orders, local educational agency closures and other related considerations, at FCMAT's sole discretion, the Scope of Work, Project Costs, Responsibilities of the District (Sections I, IV and V herein) and other provisions herein may be revised. Examples of such revisions may include, but not be limited to, the following:

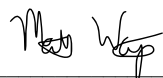
- A. Orientation and exit meetings, interviews and other information-gathering activities may be conducted remotely via telephone, videoconferencing, etc. References to on-site work or fieldwork shall be interpreted appropriately given the circumstances.
- B. Activities performed remotely that are normally performed in the field shall be billed hourly as provided as if performed in the field (excluding out-of-pocket costs).
- C. The district may be relieved of its duty to provide conference and other work area facilities for the team.

12. FORCE MAJEURE

Neither party will be liable for any failure of or delay in the performance of this study agreement due to causes beyond the reasonable control of the party, except for payment obligations by the district.

13. CONTACT PERSON

Name: Candi Clark, Interim Associate Superintendent
Telephone: (415) 241-1629
E-Mail: clarke@sfusd.edu



12/1/23

Dr. Matt Wayne, Superintendent
San Francisco Unified School District

Date



12/4/23

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

Date



**CALIFORNIA DEPARTMENT
OF EDUCATION**

TONY THURMOND
STATE SUPERINTENDENT OF
PUBLIC INSTRUCTION

1430 N STREET, SACRAMENTO, CA 95814-5901 • 916-319-0800 • WWW.CDE.CA.GOV

May 3, 2024

Matt Wayne, Ed.D., Superintendent
San Francisco County Office of Education
San Francisco County Office of Education Unified School District
555 Franklin Street
San Francisco, CA 94102-5207

Dear Superintendent Wayne, Ed.D.:

Subject: 2023–24 Second Interim Reports

Pursuant to California *Education Code (EC)* sections 1240(l) and 42131(g), the California Department of Education (CDE) has reviewed the San Francisco County Office of Education (SFCOE) and the San Francisco Unified School District's (SFUSD's) Second Interim Reports and the accompanying certifications of financial solvency. The purpose of the review is to determine whether the Second Interim Reports comply with the Criteria and Standards for fiscal stability adopted by the State Board of Education and are consistent with a financial plan that will enable the county office of education and school district to satisfy their multiyear financial commitments, including all financial obligations in the current year.

SFCOE Second Interim

The SFCOE submitted a Second Interim Report with a positive certification indicating that the SFCOE will meet its financial obligations for the current and subsequent two fiscal years. The CDE concurs with this certification.

SFUSD Second Interim

The SFUSD submitted a Second Interim Report with a qualified certification indicating that the SFUSD may not meet its financial obligations for the current fiscal year and subsequent two fiscal years. However, because SFUSD is still in the process of implementing a Fiscal Stabilization Plan to resolve deficit spending, the CDE is revising the certification to **Negative**, indicating that the SFUSD will not meet its financial obligations for the remainder of the fiscal year or for the subsequent fiscal year, with the following comments:

Structural Deficit

The SFUSD is projecting deficit spending in the unrestricted general fund for the current and two subsequent fiscal years. Although SFUSD is taking actions to realign resources and eliminate deficit spending, the planned expenditure reductions are still being analyzed and implemented. Without budget adjustments to bring the expenditures in line with revenues, the SFUSD will be unable to meet its financial obligations in the 2024–25 fiscal year.

In December 2023, the SFUSD adopted a Budget Balancing Solution Plan with the 2023–24 First Interim Report that included unrestricted general fund one-time reductions, \$103.1 million of ongoing reductions for 2024–25, and an additional \$88.8 million of unidentified ongoing reductions for 2025–26. The CDE requested that the SFUSD submit an update on the status of these reductions with the Second Interim Report.

The Second Interim Report reflects that of the \$103.1 million in expenditure reductions identified at First Interim for 2024–25, \$28.3 million were not achieved and were added back to the unrestricted general fund for 2024–25. The remaining reductions still planned in the Second Interim Report include \$74.8 million of ongoing reductions for 2024–25 and an additional \$88.8 million of unidentified ongoing reductions for 2025–26 (\$51.8 million for the unrestricted general fund and \$37 million for the restricted general fund). Even after these planned reductions, deficit spending remains.

The CDE has the following concerns with the status of the planned expenditure reductions for 2024–25 and 2025–26:

Fiscal Year 2024–25

- The SFUSD moved \$48.3 million in expenditures from the unrestricted general fund to one-time restricted resources for the 2023–24 fiscal year. At the First Interim Report, the SFUSD stated that if additional funding was not identified, these expenditures would be eliminated in the 2024–25 fiscal year. At the Second Interim Report, \$28.3 million of these ongoing expenditures were moved back to the unrestricted general fund in 2024–25, increasing the deficit spending in the unrestricted general fund. The SFUSD states that the remaining \$20 million in expenditures are still planned for elimination with the 2024–25 budget adoption if additional funding is not identified. As of the Second Interim Report, the SFUSD has not identified how the \$20 million in reductions will be implemented; therefore, the CDE has made an adjustment to add back in the expenditures when assessing SFUSD's Second Interim Report.

- At the First Interim Report, the SFUSD projected estimated ongoing savings of \$40 million from eliminating vacant positions in the 2023–24 fiscal year. As of the Second Interim Report, \$15.8 million of the vacant positions were eliminated. The remaining \$24.2 million in vacant positions are special education positions and are still being analyzed for elimination with the 2024–25 budget adoption. It is unclear if the funding for these vacant positions is currently being used for contracted services. The CDE is concerned that after a thorough analysis of these vacant special education positions, the SFUSD will be unable to achieve the anticipated savings. As of the Second Interim Report, the positions have not been eliminated; therefore, the CDE has made an adjustment to add back in \$24.2 million when assessing SFUSD’s Second Interim Report.
- The SFUSD plans to achieve \$29 million of savings in 2024–25 through changes to their staffing model for elementary, middle, and high schools. The SFUSD stated that these reductions would be achieved through layoffs and attrition. The SFUSD Board of Education adopted a resolution to issue layoff notices that included \$14 million in estimated savings for certificated staff. The CDE has been informed that the SFUSD will no longer pursue these layoffs. The CDE is concerned that this level of savings may not be achieved through attrition alone and there are no alternative identified reductions; however, the CDE has not made an adjustment for this expenditure reduction.
- The SFUSD plans to reduce ongoing consultant contract expenditures by \$11 million in 2024–25. The CDE requested a list of the contracts to be eliminated with the Second Interim Report. The SFUSD stated that the reductions were being made through a proportionate reduction to each central office department, however, the SFUSD did not provide a detailed list of contracts that would be reduced or eliminated nor did the SFUSD provide an analysis of the impact of the reductions on services to students. An \$11 million reduction is approximately 12 percent of the projected 2024–25 general fund unrestricted services and other operating expenditures. The CDE is concerned that when the SFUSD reviews the impact of the reductions, the intended level of savings may not be achieved; however, the CDE has not made an adjustment for this expenditure reduction.

Fiscal Year 2025–26

- The SFUSD has included \$51.8 million of expenditure reductions for the unrestricted general fund in its multiyear projections for the 2025–26 fiscal year, however specific reductions have not yet been identified to achieve this

level of savings; therefore, the CDE has made an adjustment to add back in the expenditures when assessing SFUSD’s Second Interim Report.

- The SFUSD has included \$37 million of expenditure reductions for the restricted general fund in its multiyear projections for the 2025–26 fiscal year, however, specific reductions have not yet been identified to achieve this level of savings.

If the SFUSD is unable to achieve the level of savings they are projecting in the 2024–25 fiscal year, the district risks having to make larger expenditure reductions in the 2025–26 fiscal year or face fiscal insolvency. Below is a projection of the unrestricted general fund based on the district’s second interim multiyear projection, adjusted by the CDE to add back planned reductions that have not been implemented or that have not yet been identified.

**SFUSD Unrestricted General Fund Projections – Adjusted by the CDE
 (\$ in Millions)**

SFUSD	2023–24	2024–25	2025–26
Beginning Fund Balance	\$219.7	\$160.4	\$38.7
Revenues	\$726.1	\$703.5	\$707.0
Expenditures	\$785.4	781.0	\$739.9
Add Back to Expenditures: Expenditures that were Moved to Restricted on One-Time Basis Coming Back to Unrestricted	N/A	\$20.0	\$20.0
Add Back to Expenditures: Vacant Positions that have not been Eliminated	N/A	\$24.2	\$24.2
Add Back to Expenditures: Unidentified Reductions (Included in Line B10 of MYP)	N/A	N/A	\$51.8
Deficit Spending	(\$59.3)	(\$121.7)	(\$128.9)
Ending Fund Balance	\$160.4	\$38.7	(\$90.2)
Commitment of Fund Balance for Financial and Payroll System Replacement	\$20.0	\$20.0	\$20.0

SFUSD	2023–24	2024–25	2025–26
Reserve for Economic Uncertainties (Minimum 2%)	\$26.9	\$26.9	\$26.4
Shortfall from Meeting Financial Obligations (24-25 and 25-26)	N/A	(\$8.2)	(\$136.6)

Source: SFUSD FY 2023–24 2nd Interim Report and Multi-Year Projections Presentation, March 12, 2024, SFUSD CDE Required Budget Balancing Solutions Plan – 2nd Interim Update Presentation, March 12, 2024, Estimated Savings for Reduction in Particular Kinds of Service Resolution, March 5, 2024, Itemization of Items in Line B10 for Second Interim Provided by Fiscal Expert.

Declining Enrollment and Reduced State Funding

SFUSD’s 2023–24 Second Interim Report reflects further declines in enrollment resulting in projected enrollment of 48,734 for 2023–24, 47,673 for 2024–25, and 47,165 for 2025–26. The decline in enrollment, if continued as projected, represents a loss of revenue for the SFUSD. The CDE recommends that the SFUSD continue to assess and adjust staffing needs and facilities planning for the upcoming years based on the projected rate of decline in enrollment. In addition, the CDE recommends that the SFUSD monitor enrollment trends and adjust financial projections if further material reductions in enrollment occur or are expected to occur.

Payroll System

The SFUSD continues to experience issues with the current payroll system and has set aside funds to replace the financial and payroll system. Prior overpayments are still being resolved. In addition, the State Teachers Retirement System is currently conducting an audit of the SFUSD, and the potential fiscal impact is not yet known.

Audit Report

SFUSD’s auditor issued a disclaimer of opinion on the 2021–22 audit report due to the inability to obtain sufficient appropriate audit evidence and material weakness in internal control over financing reporting. It is CDE’s understanding that the 2022–23 audit report that was due to CDE on December 15, 2023, was recently finalized and will be presented to the governing board on May 7, 2024. With SFUSD’s submission of the Adopted Budget on

July 1, 2024, the CDE requests an update on the progress of clearing the audit findings identified in the 2021–22 and 2022–23 audit report.

Other Reports

The CDE has been informed that the Fiscal Crisis and Management Assistance Team (FCMAT) has completed new Fiscal Health Risk Analysis (FHRA) reports for the SFUSD and the SFCOE and will present them to the governing board on May 7, 2024. The CDE requests that the governing board adopt a corrective action plan no later than June 30, 2024, to address deficiencies identified in the FCMAT reports.

In accordance with *EC* Section 1630, please continue to keep the CDE informed of any studies, reports, evaluations, or audits of the SFUSD or the SFCOE that contain evidence showing any fiscal distress. The CDE is required to incorporate the information contained in these reports into our analysis of the budgets and interim reports.

Debt Issuance

This letter also serves as a reminder of the statutory restrictions on debt issuance for school districts that have qualified or negative interim report certifications. These restrictions are specifically addressed in *EC* Section 42133. The SFUSD may not issue, for the 2023–24 and 2024–25 fiscal years, certificates of participation, tax anticipation notes, revenue bonds, or any other debt instruments not requiring the approval of the voters, unless the State Superintendent of Public Instruction (SSPI) determines that repayment of that indebtedness is probable.

Collective Bargaining

Prior to entering into any collective bargaining agreement, the SFUSD must submit the proposed agreement and required financial documents to the CDE and allow 10 days for review and comment, in accordance with *Government Code* Section 3540.2(e).

Third Interim Financial Report

With a negative certification at Second Interim, the SFUSD is required to submit to the CDE a financial projection of all funds and cash balances through June 30 as of the period ending April 30 (*EC* Section 1240.2). This report is commonly referred to as the third interim report and is due with supporting assumptions by **June 1, 2024**.

CDE Fiscal Oversight and Actions Required of District

Because of SFUSD's distressed financial condition, *EC* Section 1630(d) allows the SSPI to intervene and compel the SFUSD to implement measures to improve its financial condition. On September 15, 2021, Fiscal Experts were assigned to the SFUSD. Pursuant to *EC* Section 1630(d) and SFUSD's negative certification, the SSPI is extending the authority of the Fiscal Experts to **Fiscal Advisers**, with stay or rescind authority over any action that is determined to be inconsistent with the ability of SFUSD to meet its obligations for the current or subsequent fiscal year. In addition, the Fiscal Advisers will assist in developing, in consultation with the board of education and SFUSD, a multiyear financial recovery plan that will enable SFUSD to meet its future obligations along with a budget for the 2024–25 fiscal year.

The CDE requires that SFUSD work with the Fiscal Advisers to address deficit spending, with detailed, specific actions and timelines, in an updated Board-approved Fiscal Stabilization Plan to be submitted to the CDE with its Adopted Budget by July 1, 2024. The SFUSD is required to include the necessary adjustments at a detailed fund and object code level in its 2024–25 Adopted Budget and multiyear projections to maintain minimum reserve levels in all fiscal years.

Commitments by District Leadership

CDE and SFUSD leadership along with CDE assigned Fiscal Experts, and Mike Fine with FCMAT, met on Wednesday, May 1, 2024, to discuss SFUSD's Second Interim Report and the continued fiscal challenges facing the SFUSD. At that meeting, the following items were discussed and there was a commitment by the district's superintendent to implement the following actions as the SFUSD proceeds with the development of its 2024–25 budget:

- Immediate freeze on hiring.
- Reconciliation of retirements and resignations for 2024–25: the district will determine the number of retirements and resignations and will identify which current staff may appropriately be placed into those positions before hiring new employees.
- Position Alignment: the district will confirm the accuracy of its current vacancies (490 committed to by the district's superintendent) and ensure the 2024–25 adopted budget only reflects positions SFUSD intends to fill.
- Restricted Revenue Alignment: as part of the 2024–25 adopted budget, the district will provide CDE with a detailed reconciliation of the \$20 million in expenditures moved from restricted to unrestricted, noted in the table above.

Thank you for the submission of your Second Interim Reports and the cooperation during our review process. On behalf of the CDE and our Fiscal Experts, I want to express the confidence we have in the leadership of your Business Department and recognize all the hard work and positive strides those individuals have made to address some of the long standing and systemic issues with SFUSD's financial systems and reporting. Our Fiscal Experts have reported to us a noted improvement in the responsiveness of receiving timely and quality information. Furthermore, we recognize that this dramatically improves the confidence in the information being presented and analyzed. While additional steps are needed to improve SFUSD's financial systems, we acknowledge progress is being made that will lead to improved decision-making and the long-term fiscal sustainability of the SFUSD.

If you have any questions or concerns, please contact myself at aquillen@cde.ca.gov or Elizabeth Dearstyne, Director at edearstyne@cde.ca.gov.

Sincerely,

Abel Guillen

Digitally signed by Abel
Guillen
Date: 2024.05.03
08:19:06 -07'00'

Abel Guillén, Deputy Superintendent
Operations and Administration Branch

AG:jf

cc: Tony Thurmond, State Superintendent of Public Instruction
Board of Education Members, San Francisco COE and USD
Brooks Allen, Executive Director, State Board of Education
Elizabeth Dearstyne, Director, School Fiscal Services Division
Michael Fine, CEO, Fiscal Crisis and Management Assistance Team
Dr. Candi Clark, Interim Associate Superintendent, Business Services, San
Francisco COE and USD
Jie Jackie Chen, Financial Services Officer, San Francisco COE and USD
Elliott Duchon, CDE Appointed Fiscal Adviser
Pam Lauzon, CDE Appointed Fiscal Adviser