



Fiscal Stabilization Plan

June 2024

PREPARED BY

Dr. Matt Wayne, Superintendent

Jackie Chen, Financial Services Officer

Anne Marie Gordon, Executive Director, Business Services

Dr. Candi Clark, Consultant, The Education Experts, LLC

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SAN FRANCISCO UNIFIED SCHOOL DISTRICT
FISCAL STABILIZATION PLAN UPDATE AS OF JUNE 2024

EXECUTIVE SUMMARY

In May 2024, the California Department of Education invoked its authority under EC Section 42131(a)(2) and changed the district's certification from qualified to ***negative*** for the Second Interim Fiscal report of 2023-2024. Due to the negative certification, the CDE required the district to submit **a fiscal stabilization plan by July 1, 2024** that addresses the district's path to fiscal solvency. The plan must include, but is not limited to, how the district will identify and implement solutions to resolve the ongoing deficit in the 2024-25 budget and the two subsequent years.

This document highlights the San Francisco Unified School District's (SFUSD) fiscal condition since 2018-19 and provides a fiscal status update as of June 30, 2024. Included is a background on the District's fiscal history, prior fiscal status information, current fiscal status review, an update to the CDE budget requirements, an update on FCMAT recommendations and an overview of the budget for 2024-25 and two subsequent years, including building necessary reserves. This updated fiscal stabilization plan is a work in progress; however, the plan includes approximately \$103M in budget balancing solutions for 2024-25 that were achieved by a combination of the following:

Decrease of Expenditures:

- Reductions or elimination of management, certificated and classified position full-time equivalents (FTEs)
- Reductions of operating expenses 4XXX-6XXX (materials, supplies, services, etc.) and contributions to restricted programs

Decrease of One-Time Revenue and Expenditures

- Reduction of one-time funds which will be sunsetting this fiscal year (shown separately with corresponding expenditure reductions)

Increase of Revenues:

- Increase of average daily attendance (ADA) through enrollment to ADA analysis and LCFF re-calculation
- Increases in restricted revenue funding

The detailed planned expenditure reductions of \$113M for the 2025-26 fiscal year and \$13M for the 2026-27 fiscal year can be accessed [here](#) with the corresponding [budget reduction timeline](#).

San Francisco Unified School District's unwavering priority is to create strong, supportive learning environments for each and every student in each and every school each and every day. Strong schools have excellent instruction, nurturing environments, prepared and collaborative staff, robust programming and reliable resources. Strong schools also have the resources and structures to accelerate learning for the students we have historically underserved. We have heard our families loud and clear. They want access to an array of academic options, strong instruction, and holistic support. We are committed to creating a district where each and every student attends a strong school every day.

BACKGROUND

Beginning in 2018-19, the District began exhibiting signs of fiscal distress that progressed through the end of the fiscal year and carried into the 2019-20 fiscal year. The District ended the 2018-19 fiscal year with an unrestricted fund balance of \$40.8 million, which included a reserve for economic uncertainty of \$18.27 million. The fund balance was \$16.2 million less than the \$57.0 million projected at the Estimated Actuals reporting period. The District avoided state receivership by taking immediate action to ensure there was not a negative ending fund balance in the Unrestricted General Fund. However, the California Department of Education took action in October 2021 and assigned two fiscal experts to the District.

FISCAL RECOVERY PLAN (2023-2025)

Understanding the gravity of the long term situation, the District took immediate steps to reduce deficit spending and began rectifying unsustainable budgeting and financial practices. As a part of these steps, the District developed a “Fiscal Recovery Plan” (FRP), which included recommendations that would, if implemented, put the District on a path to strong financial health. The FRP was designed to start in 2023 and conclude in 2025.

Listed below is a recap of the July 2023 Phase I Fiscal Recovery Plan that was presented to CDE.

Phase I (July 2023)

Recovery

The SFUSD Fiscal Recovery plan identified the first set of 10 “Recovery” recommendations to cover actions for SFUSD to implement in the immediate to short-term (one to six months) that allow the district to stabilize its current situation and plan for the future.

- 1. Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty***
- 2. Review position control for anomalies that may reduce cost associated with budgeted positions***
- 3. Maximize the use of restricted revenue resources***
- 4. Evaluate Central Office and site-based contracts and books/supplies for possible freeze and capture of saving***
- 5. Adjust school site per pupil allocations to enrollment in an effort to capture savings***
- 6. Institute closer monitoring of contributions to other programs, e.g., special education, nutrition, and early childhood***

- 7. Update and implement budget forecast and projection practices*
- 8. Review and update cash flow monitoring practices*
- 9. Institute immediate protocols to limit and review spending among Central Office and school sites*
- 10. Hire senior leaders for the Business Services division with high levels of subject matter expertise*

Progress Update July 2023

SFUSD balanced its budget for 2023-2024 and for two subsequent years in the multi-year projection. It was acknowledged in July 2023 that the district's fiscal position may change once collective bargaining agreements were settled. However, at that time, the district identified and set aside one-time funds to cover district settlement offers for 3 years. The strategy was to provide SFUSD the flexibility to settle negotiations while addressing other budget related challenges. Additionally, the governing board passed a resolution that directed a clear pathway for fiscal stability and provided direction to the superintendent to take any and all actions, including layoffs, to maintain fiscal stability.

FISCAL STATUS REVIEW (JULY 2023-MARCH 2024)

First Interim- December 2023

In July 2023, negotiations with SFSUD's three largest labor partners went differently than what was originally anticipated. All three labor groups avoided a strike, and in turn, SFUSD agreed to unprecedented ongoing salary increases. These increases negatively impacted the district's fiscal position without budget balancing solutions to address immediate budget reductions. At that time, it was projected that salary settlements would cost approximately \$172.0M for 2023-24 and increase to \$178.9M in 2024-25. This necessitated a need to reduce expenditures of approximately \$103.1M in 2024-25 and an additional \$52M in 2025-26.

In December 2023, [the SFUSD First Interim](#) included the following:

1. \$48.3M in expenditures moved to restricted resources one time for 2023-24. For 2024-25, equivalent expenditures will be eliminated unless other restricted funds are identified to cover costs.
2. \$40M in on-going expenditure reductions from the unrestricted general fund for 2023-24.
3. \$95.3M in on-going expenditure reductions from the unrestricted general fund for 2024-25.
4. \$7.7M in on-going expenditure shift to restricted resources for 2024-25.

(See link: [**2023-24 First Interim SFUSD Budget Balancing Solutions 2023-24 and 24-25 Presentation**](#))

While these shifts allowed SFUSD the ability to maintain the minimum 2% reserve level, the shifts did not address the structural deficit and need for additional budget balancing solutions. If unaddressed, the district acknowledged that it may become fiscally insolvent within the next two years and as a result filed a [Qualified 1st Interim Budget Certification](#) that CDE subsequently concurred with.

Second Interim-March 2024

The [SFUSD Second Interim](#) included a breakdown of action items that were incorporated into the 2023-24 budget and actions that would be incorporated into the 24/25 budget. The items included the following:

1. \$48.3M in expenditures moved to one-time restricted resources in 2023-24. For 2024-25, if additional funding is not identified, these expenditures would be eliminated.
2. Transfer \$28.3M out of \$48.3M from restricted back to the UGF and will be incorporated into the 2024-25 Adopted Budget.
3. Reduced \$15.8M due to vacant position eliminations. More work was underway to finalize the elimination process. Remaining \$24.2M in reductions to be incorporated into the 2024-25 Adopted Budget.
4. \$55.3M in on-going expenditure reductions beginning in 2024-25.
5. \$7.8M in on-going expenditures shifted to ongoing restricted resources beginning in 2024-25.

Additionally, SFUSD acknowledged that \$52M in on-going expenditure reductions from the unrestricted general fund for 2025-26 were necessary in order to remain fiscally solvent and as a result, filed a Qualified Second Interim Certification.

CDE RESPONSE AND RECOMMENDATIONS

CDE's Response to SFUSD's Second Interim Report

Pursuant to California Education Code (EC) sections 1240(l) and 42131(g), the California Department of Education (CDE) reviewed the San Francisco Unified School District's (SFUSD's) Second Interim Reports and the accompanying certifications of financial solvency. The purpose of the review was to determine whether the district's Second Interim Report complied with the Criteria and Standards for fiscal stability adopted by the State Board of Education and was consistent with a financial plan that would enable the school district to satisfy its multi year financial commitments, including all financial obligations in the current year. However, because SFUSD was still in the process of implementing a Fiscal Stabilization Plan to resolve deficit spending, the CDE revised the district's 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.

In [CDE's response letter to SFUSD's Second Interim report](#), the agency downgraded the district to a negative certification and moved the fiscal experts to fiscal advisors with stay and rescind authority over board actions. Additionally, CDE's Second Interim letter noted the following:

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 a detailed reconciliation of the \$20 million in expenditures moved from restricted to unrestricted, noted in the table above.*

Status of CDE Requirements and Recommendations

The CDE's response also included specific requirements and recommendations for the District. A summary of the requirements and recommendations, as well as the status of district progress are included in the table below:

CDE Requirement/Recommendation	Status
CDE recommends that SFUSD continue to assess and adjust staffing needs and facilities planning for the upcoming years based on the projected rate of decline in enrollment.	June 2024: In progress. SFUSD is continuing to assess and adjust staffing needs and facilities planning for the upcoming years based on enrollment projections. The process includes school portfolio review, additional position closures during 2024-25 and program strategic abandonment. Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee. Final evaluation metrics will be set in partnership with the incoming Associate Superintendent of Business Services and Superintendent.
CDE recommends that SFUSD monitor enrollment trends and adjust financial projections if further material reductions in enrollment occur or are expected to occur.	June 2024: Completed. SFUSD now works with a demographer annually and uses the demographer's report to inform budget development.
With SFUSD's submission of the Adopted Budget on July 1, 2024, CDE requests an update on the progress of clearing audit findings identified in the 2021-22 and 2022-23 audit report.	June 2024: Completed. Corrective action plans (here) were submitted with the 2021-22 and 2022-23 audits. Staff will monitor progress every 60 days until submitting the 2023-24 audit. Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee.
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.	June 2024: In progress. This document identifies how the district is addressing deficiencies identified in the FCMAT report.
In accordance with EC Section 1630, please continue to keep the CDE informed of any studies, reports,	June 2024: In progress. The District plans to engage FCMAT to conduct an audit of Special Education in September 2024. The

<p>evaluations, or audits of the SFUSD or the SFCOE that contain evidence showing any fiscal distress.</p>	<p>contract is on the June 25th board agenda. Additionally, the District plans to engage the Council of Great City Schools to conduct an operational audit. Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee.</p>
<p>Prior to entering into any collective bargaining agreement, SFUSD must submit the proposed agreement and required financial documents to CDE and allow 10 days for review and comment, in accordance with Government Code Section 3540.2(d).</p>	<p>June 2024: In progress. SFUSD plans to comply with this requirement as new collective bargaining agreements reach the level of requiring board approval.</p>
<p>SFUSD is required to submit to the CDE ... referred to as a third interim report and is due with supporting assumptions by June 1, 2024. (The date was subsequently revised to June 11, 2024 by CDE.)</p>	<p>June 2024: Completed</p>
<p>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. 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.</p>	<p>June 2024: In Progress. The Fiscal Stabilization Plan, once board approved, will be shared with CDE by July 1, 2024. Fiscal Advisors have been consulted on the plan throughout the process and shared updates with CDE.</p>
<p>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:</p> <ul style="list-style-type: none"> • 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 	<p>June 2024: In Progress. HR staff has completed the consolidation process for certificated staff and paraeducators. Retirements and resignations were processed and internally consolidated employees were placed in open positions. Once the consolidations were completed, the hiring process was expanded to include external candidates. We are currently staffing for site based positions that were approved in each site budget template.</p>

<p>into those positions before hiring new employees.</p> <ul style="list-style-type: none"> • 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. 	<p>The District is continuing with a hiring freeze for additional positions beyond what was approved in each site budget template. When additional resignations or retirements are received the position is evaluated based on need and the source of funding (restricted or unrestricted). All positions require the approval of the Executive Cabinet before they can be posted or filled. CDE fiscal advisors are included in these conversations where applicable.</p> <p>Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee.</p> <p>Final evaluation metrics will be set in partnership with the incoming Associate Superintendent of Business Services, Associate Superintendent of Human Resources and Superintendent.</p>
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Updates on the Fiscal Stabilization Plan [\(2024-2025 Budget Adoption\)](#)

CDE required SFUSD to provide an update on the Fiscal Stabilization Plan (formerly the Fiscal Recovery Plan before June 2024) and its impact on the 2024-25 fiscal year and MYP. Listed below is a summary of the district's prior progress from July 2023 and current status as of June 2024.

<p>Restore the ending fund balance and maintain the state-mandated reserve for economic uncertainty</p>	<p>JUNE 2024: In Progress. In the 2024-25 fiscal year, the District is projected to meet its minimum 2% reserve requirement and has set aside an additional \$59,841,320 rainy day and system reserve in the unrestricted general fund. Approximately \$103M in budget balancing solutions were implemented in the 2024-25 budget that include:</p> <ol style="list-style-type: none"> 1. Increased revenue (restricted and unrestricted), 2. Ongoing budget reductions, and
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	<p>3. Additional expenditure shifts to restricted resources</p> <p>The minimum reserve is met in all three years of the 2024-25 and 2026-27 MYP, only through additional reductions in 2025-26 and 2026-27. Details of the reduction plan are linked here.</p> <p>Staff will work between July 2024-December 2024 to finalize the review of the planned reductions for 2025-26 and 2026-27. It is important to note that the reduction plan for 2025-26 and 2026-27 will adjust based on new funding or priority shifts if applicable.</p> <p>Final evaluation metrics will be set in partnership with the incoming Associate Superintendent of Business Services and Superintendent.</p> <hr/> <p>July 2023: Complete/Continually Monitor.</p> <p>The District met its 2% reserve requirement and has set aside an additional 13.7% reserve. The minimum reserve is met in all three years of the 2023-24 MYP.</p>
Review position control for anomalies that may reduce cost associated with budgeted positions	<p>June 2024: In Progress. During the budget adoption process, vacant positions were carefully monitored and reduced as needed. As of April 2024, the district's Executive Cabinet now reviews requests to open/add positions regardless of funding source and monitors site enrollment patterns to determine where classes have the potential to close or merge. Statutory and benefit costs were reviewed and adjusted upwards to account for cost increases.</p> <p>As of June 2024, much of the position control management is a manual process and needs a more streamlined approach that includes automation inflow/exflow between Human Resources and Business Services in terms of position additions/terminations/changes and encumbrances of annual salary and benefit costs. It is widely recognized</p>

	<p>that a final solution to this issue will occur when the district moves to the new ERP system-Frontline (formerly called ESCAPE) in July 2025.</p> <p>Final evaluation metrics will be set in partnership with the incoming Associate Superintendent of Business Services and Superintendent.</p> <hr/> <p>July 2023: In Progress. Positions were reviewed during budget development; however more work will continue to review positions for duplications and vacant positions currently covered by contracted services. Additional support has been hired to assist with this review process.</p>
<p>Maximize the use of restricted revenue resources</p>	<p>June 2024: Complete-Monitor Progress. The district has continued to review unrestricted general fund expenditures that have the potential to be funded out of restricted resources. Where appropriate, expenditure shifts have been made to maximize the use of restricted resources first. The adopted budget includes an additional \$33.9 M of new restricted revenue that was used to cover expenditures in the unrestricted general fund that matched the grants expenditure criteria. As of 2024-25 budget adoption, restricted resource fund balances will be reduced to \$103.8 million at the beginning of 2024-25. The current MYP also identifies expenditures that will be eliminated in the two subsequent years due to the expiration of restricted funding. This is in alignment with the board-approved expenditure plan adopted during the 2023-24 budget adoption process.</p> <hr/> <p>July 2023: Progress Made. The District has significantly improved how it uses and budgets restricted revenues. In the 2023-24 budget, \$32M was cut from the unrestricted general fund expenditures and moved them to restricted resources. The review process will continue and more expenditures follow the same path.</p>

<p>Evaluate Central Office and site-based contracts and books/supplies for possible freeze and capture of savings.</p>	<p>June 2024: In progress. The 2024-25 budget includes reductions to the total books and supplies object codes of 55.3% and a reduction to contracted services of 23% for a general fund combined reduction of approximately \$98M. This budget area will be carefully monitored throughout the fiscal year recognizing that additional reductions are necessary in 2025-26 and 2026-27.</p> <hr/> <p>July 2023: In Progress. The District has started the process of analyzing Central Office-based contracts and books/supplies for possible freeze and capture of savings.</p>
<p>Adjust school per pupil allocations to enrollment in an effort to capture savings.</p>	<p>June 2024: Progress made. District school portfolio and school site allocation conversations continue. Site and community meetings have begun and it is anticipated that work in this area will continue for the next 12 months. It is anticipated that additional reductions will occur in 2025-26 at the school site level.</p> <p>Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee.</p> <hr/> <p>July 2023: Progress made. School site budgets have begun to be aligned to enrollment. As the district school portfolio continues to be evaluated, work will continue in this area.</p>
<p>Institute closer monitoring of contributions to other programs, e.g., special education, nutrition, and early childhood.</p>	<p>June 2024: Progress made: During the 2024-25 budget adoption process, conversations continued with programs requiring an unrestricted general fund contribution. The Child Nutrition contribution was eliminated by realigning the program. The Special Education program will begin a FCMAT review in the next few months with a desired outcome of addressing some of the required contributions. For 2024-25, \$10M of PEEF funding will be used to offset the unrestricted general fund's contribution to the Special Education program.</p>

	<p>Progress will be reviewed monthly with district senior staff and the board fiscal ad hoc committee.</p> <hr/> <p>July 2023: Progress made. Unrestricted general fund contributions have been reviewed and will continue to be monitored as postions/contracts are adjusted.</p>
Update and implement budget forecast and projection practices.	<p>June 2024: Completed-monitor progress. Flo Analytics projections are now being used as the baseline for enrollment projections and are being monitored for variances. The budget is now being adjusted during reporting periods for any anomalies that require a budget adjustment. Enrollment projections are reviewed every 60 days by Business Services to determine changes in enrollment patterns or trends.</p> <hr/> <p>July 2023: Progress made. SFUSD hired Flo Analytics to serve as the district's demographer. Fall projections will be incorporated into the 45 Day Budget Revision if necessary.</p>
Review and update cash flow monitoring practices.	<p>July 2024: Continuous Review. No additional update noted.</p> <hr/> <p>July 2023: Complete/Continually Monitor. Cashflow is currently being monitored as well as general fund expenditures. The review occurs on a monthly basis.</p>
Institute immediate protocols to limit and review spending among Central Office and school sites.	<p>June 2024: Complete-monitor progress. Education and Academic Services saw shifts in focus during 2023-24. That progress continued during the 2024-25 budget development cycle with certain departments i.e. Department of Technology seeing additional budget reductions. As the district's budget continues to be reduced, more spending plans will be reviewed for priority and funding constraints in the spirit of district vision, values, goals and guardrails .</p> <hr/> <p>July 2023: Progress made. During the 2023-2024 budget development process, additional requests for spending authority were carefully reviewed and vetted</p>

	<p>with the Superintendent. As a result, some departments were required to narrow their focus to the district vision, values, goals and guardrails in an effort to remain focused on core objectives.</p>
<p>Hire senior leaders for the Business Services division with high levels of subject matter expertise.</p>	<p>June 2024: Complete-monitor progress. A permanent Associate Superintendent of Business Services has been hired effective July 1, 2024. The Executive Director of Budget and Accounting was filled effective December 2023. A Budget Director position was filled effective May 2024. Currently, all senior leadership positions in Business Services remain filled. One FTE hired last year was terminated and the position was posted and filled during the 2023-24 fiscal year. All staff hired in these positions have prior K-12 school business expertise and aligned education in accounting, finance or a business related field.</p> <hr/> <p>July 2023: Progress made. Dr. Candi Clark was hired (contracted through December 31, 2024) to support SFUSD in an interim capacity to stabilize the Business Services Division. Through her efforts, three positions have been filled and the individuals started June 21, 2023. The critical filled positions are: Financial Services Officer (CFO); Executive Director of Payroll, Retirement and Operations; and Executive Director of Budget and Accounting. All three employees have strong K-12 school business and years of experience in their field. Onboarding, training and support is currently underway. Work continues to be under way to fill technical positions within HR, Payroll, Budget and DoT.</p>

FCMAT FISCAL HEALTH RISK ANALYSIS (2024)

In September 2021, CDE directed the District to work with the Fiscal and Crisis Management Assistance Team (FCMAT) to complete a Fiscal Health Risk Analysis (FHRA) for both the District and County Office of Education. The District received a "lack of going concern" designation from the CDE, which necessitated the FHRA. The FHRA indicated that the District's fiscal solvency risk level was high. Since then, the district has remained in a "lack of going

concern" designation. After two years, the CDE requires FCMAT to conduct another FHRA in response to the designation. The [most recent FHRA](#) was completed in May 2024.

SFUSD's Response to FCMAT's Fiscal Health Risk Analysis (May 2024 and June 2024)

Below are SFUSD's responses to the findings as reported by FCMAT in May 2024. SFUSD's responses are from May 2024 and June 2024.

FCMAT Report Summary

The FCMAT report summary identified several areas of concern with the District's fiscal operations. These concerns were based on our 2023-24 adopted budget and operations at the time of the analysis. Since then, there have been several developments that directly address the issues identified in the FHRA.

Business Services Staffing

At the time of the report, FCMAT noted that the district has many consultants in a variety of positions in Business Services and Human Resources. Since then, the District has hired staff with California K-12 experience in several critical leadership positions, including an Executive Director of Payroll, a Financial Services Officer, a Director of Budget, an Executive Director of Business Services, and a Director of Accounting. FCMAT made note that the district has lacked a qualified chief business official for several years. The District went out for recruitment and has hired an experienced Associate Superintendent of Business Services that will start with the district July 1, 2024.

Staff Training

The report notes that district staff could benefit from additional training and greater collaboration with other districts across the state. The district recognizes this need and has begun sending staff to state-level business services and human resources conferences. This practice will continue and be expanded as the district adopts a new enterprise resource planning (ERP) system that is used by over 60% of districts in the state.

District's Financial System

The FHRA report notes that the financial system is a significant barrier. Since the report was completed, the district has approved implementing a new system for the 2025-26 school year. The new system will integrate the Budget, Accounting, Procurement, Fiscal, Payroll, Position Control, Procurement and Contracts, and Human Resources modules. By moving away from over 12+ separate systems to less than 3 systems, the district's operational systems will become integrated, highly automated and more efficient.

Position Control

The lack of position control is noted as a serious issue. The district is in the process of establishing position control and expects to have this in place for the 2024-25 school year. Most

importantly, the district is stopping its practice of budgeting for more positions than it expects to fill and then creating an “offset” in the budget to account for those vacancies. This offset has made it difficult to monitor actual expenditures and salary savings. Full implementation of a resolution is not anticipated until July 2025 when the new ERP system will go live.

Staffing Allocations

FCMAT highlights the district’s school funding allocation process as problematic and not following best practices in this area. Since the report was completed, the district has shifted to a centralized allocation approach. This allows the district to have greater control over the staffing expenditures at school sites.

Material Weaknesses

Five material weaknesses were identified in the FHRA based on the district’s 2023-24 adopted budget. The district has addressed numerous material weaknesses since the report was completed. Below is a status update of each material weakness.

<p>1. 3.6 Addressed deficiencies identified by the California Department of Education</p>	<p>May 2024: At Risk. The FCMAT report notes the issues identified by the California Department of Education that must be addressed to remove the lack of going concern designation. Our progress in each of these areas is noted in the CDE section of this report.</p> <hr/> <p>June 2024: (Update provided in prior sections.)</p>
<p>2. 4.3 Cash flow forecast</p>	<p>May 2024: Resolved. Starting with the 2023-24 first interim report, the district has been forecasting cash flow accurately in its budget reports.</p> <hr/> <p>June 2024: No change</p>
<p>3. 4.4 Cash flow plans</p>	<p>May 2024: In Progress. Starting with the 2023-24 first interim report, the district demonstrates that it has sufficient cash flow.</p>

	If the district does not demonstrate this in future reports, it will have a reasonable plan to address cash flow needs for the current and subsequent years. Strategies include issuing tax revenue anticipation notes (TRANS), interfund borrowing or borrowing from the county treasurer (if applicable).
	June 2024: No Change
4. 10.6 Enrollment projections	May 2024: Resolved. At the time of the 2023-24 budget adoption, the district did not have enrollment projections from a demographer. Since then, the district has worked with a demographer to complete a report and has incorporated the projections into its budget planning in the interim report.
	June 2024: No change
5. 19.1 Position control	May 2024- In Progress. The district expects to account for all positions and costs for the 2024-25 school year, using actual costs for filled positions and average costs for vacant positions.
	June 2024: No Change

CDE Deficiencies as Noted in the FCMAT Report

FCMAT reported on the status of six deficiencies identified by the CDE that need to be addressed. Here is the status of the district's efforts to address these deficiencies.

1. Issues with EMPowerSF System	May 2024: In Progress. The district is moving to a new system and will stop using EMPowerSF by 2025-26. The district expects
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	<p>to resolve over/under payments and reconcile retirement system contributions within the next 24 months.</p> <hr/> <p>June 2024-In Progress. The district's Payroll team is able to identify over/under payments more expeditiously than before. However, more work is needed to resolve the issue in its entirety.</p>
2. Structural Deficit	<p>May 2024:At Risk . While the district has taken steps to reduce deficit spending, additional action is necessary, particularly for the 2025-26 school year.</p> <hr/> <p>June 2024: In Progress. This assessment is based on the adopted 2024-25 budget and MYP. Based on the 2024-25 budget and MYP, the district has developed a plan to address structural deficit spending in the 2024-25 fiscal year and two subsequent years. More review and discussion will continue for the next six months. Any update will be provided by First Interim by December 15, 2024.</p>
3. Inadequate Position Control	<p>May 2024: In Progress. The district is working to establish position control for the 2024-25 school year through the new ERP system.</p> <hr/> <p>June 2024: In Progress. As previously noted, this issue will not be fully resolved until July 2025 which is when the new ERP system is planned to go live.</p>

4. Accuracy of Financial Projections	<p>May 2024: At Risk. For the 2024-25 school year, the district will still not be able to include actual salaries in its budget planning rather than district averages due to its financial systems. When the new ERP system is implemented, this will be corrected.</p> <hr/> <p>June 2024: No Change</p>
5. Hire for Vacant Associate Superintendent of Business Services	<p>May 2024: Resolved . At the time of the report, the district did not have an Associate Superintendent of Business Services. (This is often referred to as a Chief Business Official in other districts.) The district has recruited for the position and will have a permanent experienced Associate Superintendent of Business Services in place on July 1, 2024.</p> <hr/> <p>June 2024: No change</p>
6. Audit Reports	<p>May 2024: In Progress. The 2022-23 audit report was completed and submitted to the CDE on May 6, 2024. This report was submitted late because the district switched to a new auditor, Christy White, in 2023. The auditing firm needed more time to understand and address the district's prior year auditing issues while auditing the 2022-23 year. We expect to have the 2023-24 audit submitted by the December 14, 2024 deadline.</p> <hr/> <p>June 2024: In progress. The 2023-24 audit is planned to be presented for board approval by December 15, 2024.</p>

FISCAL STABILIZATION PLAN -PHASE II (JUNE 2024)

In July, 2023, SFUSD highlighted ten “Stability” actions SFUSD intended to implement in the short- to medium-term, six to 18 months, that would allow the district to recover from its financial situation and position itself to maintain fiscal stability in the current and future years. Listed below is a status update on the identified actions:

1. Plan for and adopt a balanced budget that avoids future deficit spending-**IN PROGRESS**
2. With senior leadership positions filled, continue to research, engage and implement a Central Office reorganization-**IN PROGRESS**
3. Institute and conduct monthly central office and school site budget monitoring practices-**IN PROGRESS**
4. Review, update and implement effective position control practices-**IN PROGRESS**
5. Review and implement revised contract approval, processing and management procedures-**IN PROGRESS**
6. Determine if the transition to SAP technology system is feasible to manage payroll, time and attendance, leaves and benefits and human resource (HR) information-**COMPLETED/ MONITOR PROGRESS**
7. Review and execute on shifts in expenses that maximize the use of restricted funds continuously-**COMPLETED/ MONITOR PROGRESS**
8. Review and engage school district and school leaders to establish appropriate staffing levels and budget-**IN PROGRESS**
9. Monitor staff time/attendance roles and responsibility-**IN PROGRESS**
10. Consider and act on right-sizing SFUSD school portfolio including staffing re-alignments and sites and central office-**IN PROGRESS**