

Board Office Use: Legislative File Info.	
File ID Number	19-2052
Introduction Date	10/10/19
Enactment Number	19-1539
Enactment Date	10/10/19 lf



# Memo

**To** Board of Education

**From** Kyla Johnson-Trammell, Superintendent  
Luz Cazares, Interim CFO (Consultant)

**Board Meeting Date** October 10, 2019

**Subject** Respond to Conditional Approval by Alameda County Office of Education of OUSD FY19/20 Adopted Budget

**Action** Review requests from Alameda County Office of Education’s conditional approval of OUSD FY19/20 Adopted Budget; and Adopt Resolution 1920-0165 - Response to Requests from Alameda County Office of Education’s Conditional Approval of OUSD FY19/20 Adopted Budget

**Background** On June 26, 2019, the Board adopted the FY19/20 Budget. Alameda County Office of Education (“ACOE”) completed its review and conditionally approved the FY19/20 Adopted Budget pending receipt and analysis of four items. After receiving and reviewing the Board’s response, ACOE will make a final determination regarding the Adopted Budget by November 8, 2019.

**Discussion** Here are the items requested by ACOE and the proposed information to be included in the Board’s response:

1. ACOE has requested the District’s 2018-19 Unaudited Actuals by September 15 showing an ending fund balance of at least the amount projected in the Estimated Actuals.

✓ The FY18/19 Unaudited Actuals were approved by the Board on September 11, 2019 with an Ending Fund Balance of at least the amount projected in Estimated Actuals. The FY18/19 Unaudited Actuals was provided to ACOE. It is

incorporated as part of the attached Resolution that is the Board's proposed response.

2. ACOE has requested that the District revise its 2019-20 Adopted Budget to include all recent amendments.

✓ The revisions to the FY19/20 Adopted Budget, including all recent amendments, were approved by the Board on September 11, 2019. The FY19/20 Adopted Budget, including all recent amendments, was made available to ACOE. It is incorporated as part of the attached Resolution that is the Board's proposed response.

3. ACOE has requested the District approve and adopt a plan that incorporates additional budget balancing solutions.

✓ Resolution 1819-0219 was approved by the Board on June 26, 2019 stipulating spending reductions and/or revenue enhancements of \$10 million for FY20/21 and spending reductions and/or revenue enhancements of \$10.5 million for FY21/22. The Resolution was made available to ACOE. It is incorporated as part of the attached Resolution that is the Board's proposed response.

4. ACOE has requested a revised multi-year projection (MYP) that demonstrates a minimum required reserve of at least 2% for the current and subsequent years.

✓ OUSD staff have revised the MYP to be consistent with the above Board actions. This revised MYP demonstrates a minimum required reserve of at least 2% for the current and two subsequent fiscal years. It is appended to the attached Resolution that is the Board's proposed response.

**Fiscal Impact**

Not applicable.

**Attachment**

September 16, 0219 Letter from ACOE Conditionally Approving FY19/20 Budget  
Resolution 1920-0165 - Response to Requests from Alameda County Office of Education's Conditional Approval of OUSD FY19/20 Adopted Budget



# Alameda County Office of Education

L. Karen Monroe Superintendent of Schools

September 16, 2019

Aimee Eng, President  
Board of Education  
Oakland Unified School District  
1000 Broadway, Suite 680  
Oakland, CA 94607

RE: 2019-20 Adopted Budget Review

Dear President Eng:

The Alameda County Office of Education (ACOE) has completed the review of the Oakland Unified School District's (OUSD) Adopted Budget for fiscal year 2019-20. In accordance with Education Code Section 42127, the scope of ACOE's review includes studies, reports, evaluations, or audits, and is not limited to the Adopted Budget Report. On or before September 15, the County Superintendent of Schools shall either conditionally approve or disapprove the Adopted Budget that does not provide adequate assurance that the school district will meet its current and future obligations and resolve any problems identified in studies, reports, evaluations, or audits.

### **Adopted Budget and Multi-Year Budget Projection**

Based on our review of OUSD's 2019-20 Adopted Budget and related Multi-Year Budget Projection (MYP), the District's overall fiscal outlook is uncertain. The Adopted Budget and MYP projects that the District will be able to maintain a minimum reserve requirement of 2% in 2019-20 and 2020-21. However, the projection for 2021-22 shows that the reserve falls below the minimum required amount by \$18.8 million. We acknowledge the Board's swift action in its adoption of Resolution No. 1819-0219, confirming the District's commitment to fiscal solvency with planned expenditure reductions and/or revenue enhancements of \$10 million and \$10.5 million in 2020-21 and 2021-22, respectively. These amounts will mainly cover the \$18.8 million shortfall and the fiscal impact of the Collective Bargaining Agreement (CBA) with Service Employees International Union (SEIU) described below. Below is the summary of the reserve for the current and subsequent years:

Description	2019-20	2020-21	2021-22
Reserve for Economic Uncertainties	\$17,067,970	\$11,661,662	(\$6,690,603)
Minimum Reserve Requirement (2%)	11,378,647	11,661,662	12,123,230
<b>Additional Reserve/(Deficit)</b>	<b>\$5,689,323</b>	<b>\$0</b>	<b>(\$18,813,833)</b>

It is important to note that in order for the District to balance its budget in the subsequent years and maintain a minimum reserve of 2%, the District is largely dependent on the expenditure reductions and/or revenue enhancements described above.

### **Budget Revision to the Adopted Budget**

At its June 26, 2019 meeting before the adoption of the budget, the Governing Board (Board) discussed expenditures that had been omitted in the Proposed Budget, including several positions that have significant fiscal impact to the ending fund balance. The District confirmed that these positions were omitted and at the request of the Board, the District explained that a budget revision would be presented for approval at the August 14, 2019 Board meeting to rectify this omission and to reflect the impact on the ending fund balance.

Furthermore, the Board requested a reconciliation of the expenditure reductions that were approved in March 2019 in order to ascertain that these reductions were implemented and incorporated in the 2019-20 Adopted Budget.

While the status of the items listed above pertains to a point in time as of June 30, 2019, it is important to highlight that the Board approved Resolution No 1920-0159 on September 11, 2019 to authorize the budget revisions to the 2019-20 Adopted Budget. ACOE suggests to incorporate the fiscal impact of this resolution into the MYP.

### **Collective Bargaining Agreement with OUSD and SEIU**

Subsequent to OUSD's adoption of its 2019-20 Budget, the District ratified the CBA with SEIU. The agreement between OUSD and SEIU, covering period July 1, 2019 through June 30, 2021 provides for:

- One-time bonus equal to 3% base annual salary as of January 1, 2019 or annual earnings for substitutes at the time of Board approval (in-lieu of 2017-18 increase), to be paid in fiscal year 2019-20
- For fiscal year 2018-19, a 3% on-going increase to all salary schedules effective January 1, 2019
- For fiscal year 2019-20, a 2% ongoing increase to all salary schedules.

The fiscal impact of the agreement is as follows:

<b>Description</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
One-time Impact	\$0	\$1,097,607	\$0
Ongoing Impact	726,719	2,271,689	2,977,551
Total	\$726,719	\$3,369,296	\$2,977,551

As explained above, the Board adopted Resolution No. 1819-0219, confirming the District's commitment to fiscal solvency with planned expenditure reductions and/or revenue

enhancements of \$10 million and \$10.5 million in 2020-21 and 2021-22, respectively. These amounts will mainly cover the \$18.8 million shortfall and the fiscal impact of the CBA with SEIU.

### **Conditional Approval of the Adopted Budget**

The District should develop a short and long-term financial plan based on reasonable economic assumptions and implement those plans with a commitment to attaining fiscal solvency. It is critical that timely and extensive expenditure reductions and other budget balancing solutions remain the highest priority. Accordingly, we are conditionally approving the District's 2019-20 Adopted Budget, pending receipt and analysis of the following:

1. District's 2018-19 Unaudited Actuals by the required deadline of September 15 with an ending fund balance at least the amount projected in the Estimated Actuals
2. Revision to the District's 2019-20 Adopted Budget to include all recent amendments
3. Board approval and adoption of a plan that incorporates additional budget balancing solutions
4. Revised MYP that demonstrates at least minimum required reserve of 2% for the current and subsequent years.

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

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

### **Studies, Reports, Evaluations, and Audits**

In addition to ACOE's budget review, the Grand Jury report recently completed its 2018-19 Final Report. A number of the key concerns referenced in the report were similar to the areas of concern identified by ACOE's Intensive Support and Technical Assistance (ISTA) Team during the 20 weeks they have provided support and assistance to OUSD's Business Services Office. OUSD continues to present many indicators of fiscal distress, such as:

- Poor Internal Control
- Insufficient Budget Monitoring or Updates
- Lack of Position Control
- Deficit Spending and Decreasing Fund Balance
- Unresolved Audit Findings

The studies by both the Grand Jury and the ACOE ISTA Team have both substantiated and magnified our concerns regarding the financial health of the District.

### **Local Control and Accountability Plan**

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

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

We have completed the review of the District's 2019-20 LCAP. However, in light of the conditional approval of the 2019-20 Adopted Budget, LCAP approval is contingent upon the final approval of the Adopted Budget by the statutory deadline of November 8.

Please feel free to contact me with any questions regarding this process. We look forward to our continued collaboration as we strive to ensure the ongoing fiscal stability of the District in service of the educational success of all Oakland students.

Sincerely,



L. Karen Monroe  
Alameda County Superintendent of Schools

cc: Board of Education, Oakland USD  
Kyla Johnson-Trammell, Superintendent, Oakland USD  
Preston Thomas, Chief Systems and Service Officer, Oakland USD  
Luz Cazares, Interim Chief Financial Officer, Oakland USD  
Sondra Aguilera, Chief Academic Officer, Oakland USD  
Tony Thurmond, State Superintendent of Public Instruction, CDE  
Michael Fine, Chief Executive Officer, FCMAT  
Chris Learned, Fiscal Oversight Trustee  
Raul A. Parungao, Associate Superintendent of Business Services, ACOE  
Teresa Santamaria, Chief of District & Business Advisory Services, ACOE  
Ingrid L. Roberson, Chief of Learning & Accountability, ACOE

**RESOLUTION OF THE BOARD OF EDUCATION  
OF THE OAKLAND UNIFIED SCHOOL DISTRICT  
RESOLUTION NO. 1920-0165**

**Response to Requests from the Alameda County Office of Education’s Conditional Approval of the Oakland Unified School District’s Fiscal Year 2019-20 Adopted Budget**

**WHEREAS**, the Oakland Unified School District (“OUSD”) adopted its Fiscal Year 2019-20 (“FY19/20”) Budget in June 2019.

**WHEREAS**, the Alameda County Office of Education (“ACOE”) conditionally approved the FY19/20 Budget for OUSD in a letter dated September 16, 2019 and requested four items. The letter is appended to this Resolution.

**WHEREAS**, OUSD’s Fiscal Year 2018-19 (“FY18/19”) Unaudited Actuals were approved by the Board on September 11, 2019 with an Ending Fund Balance of at least the amount projected in Estimated Actuals. The FY18/19 Unaudited Actuals, incorporated by reference herein, are available for review via Legislative Information Center webpage (<https://ousd.legistar.com/Calendar.aspx>) of the OUSD website.

**WHEREAS**, revisions to the OUSD FY19/20 Adopted Budget, including all recent amendments, were approved by the Board on September 11, 2019. The revised FY19/20 Adopted Budget, incorporated by reference herein, is available for review via Legislative Information Center webpage (<https://ousd.legistar.com/Calendar.aspx>) of the OUSD website.

**WHEREAS**, Resolution 1819-0219 was approved by the Board on June 26, 2019 stipulating spending reductions and/or revenue enhancements of \$10 million for Fiscal Year 2020-21 and spending reductions and/or revenue enhancements of \$10.5 million for Fiscal Year 2021-22. Resolution 18-19-0219, incorporated by reference herein, is available for review via Legislative Information Center webpage (<https://ousd.legistar.com/Calendar.aspx>) of the OUSD website.

**WHEREAS**, OUSD staff have revised the multiyear projection (“MYP”) to be consistent with the above Board actions. The MYP, appended to this Resolution, demonstrates a minimum required reserve of at least 2% for the current and two subsequent fiscal years.

**WHEREAS**, the Board has reviewed the September 16, 2019 letter from ACOE as required by Education Code section 42127(d)(3).

**NOW, THEREFORE, BE IT RESOLVED**, in fulfillment of its obligations under Education Code section 42127(d)(3), the Board directs the Superintendent or designee to send, as soon as possible, this Resolution and the MYP to ACOE as the Board’s official response to ACOE’s September 16, 2019 letter.

Passed by the following vote:

PREFERENTIAL AYE: Student Directors Mica Smith-Dahl and Denilson Garibo

PREFERENTIAL NOE: None

PREFERENTIAL ABSTENTION: None

PREFERENTIAL RECUSE: None

AYES: Gary Yee, Roseann Torres, Shanthi Gonzales, James Harris, Vice President Jody London, and President Aimee Eng

NOES: None

ABSTAINED: None

RECUSE: None

ABSENT: Jumoke Hinton Hodge

**CERTIFICATION**

We hereby certify that the foregoing is a full, true and correct copy of a Resolution passed at a Regular Meeting of the Board of Education of the Oakland Unified School District held on October 10, 2019.

<b>Legislative File</b>	
File ID Number:	19-2062
Introduction Date:	10/10/2019
Enactment Number:	19-1539
Enactment Date:	10/10/19 lf
By:	

**OAKLAND UNIFIED SCHOOL DISTRICT**




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Aimee Eng  
President, Board of Education




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Kyla Johnson-Trammell  
Superintendent and Secretary, Board of Education

Attachment: OUSD Multi-year Projection As of September 11, 2019



Description	2018/19 Unaudited Actuals			2019/20 Revised Budget			2020/21 Projection			2021/22 Projection		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
<b>REVENUE</b>												
LCFF	375,315,395	3,223,208	378,538,603	384,635,660	3,233,105	387,868,765	391,146,168	3,233,105	394,379,273	403,259,732	3,233,105	406,492,837
Federal	-	45,307,610	45,307,610	-	42,815,057	42,815,057	-	42,815,057	42,815,057	-	42,815,057	42,815,057
State	15,415,312	55,811,391	71,226,703	12,244,587	50,238,870	62,483,457	8,051,507	50,844,721	58,896,228	8,275,494	51,410,182	59,685,676
Local	7,885,088	82,958,922	90,844,010	5,436,481	72,453,105	77,889,586	5,436,481	72,453,105	77,889,586	5,436,481	72,453,105	77,889,586
<b>TOTAL REVENUE</b>	<b>398,615,795</b>	<b>187,301,131</b>	<b>585,916,926</b>	<b>402,316,728</b>	<b>168,740,137</b>	<b>571,056,865</b>	<b>404,634,156</b>	<b>169,345,988</b>	<b>573,980,144</b>	<b>416,971,707</b>	<b>169,911,449</b>	<b>586,883,156</b>
<b>EXPENDITURES</b>												
Certificated	126,845,425	64,507,070	191,352,495	140,882,068	64,746,913	205,628,981	148,911,800	68,677,867	217,589,667	163,273,727	75,896,766	239,170,493
Classified	57,757,160	36,104,976	93,862,136	53,535,890	37,150,416	90,686,306	53,803,569	37,336,168	91,139,738	54,072,587	37,522,849	91,595,436
Benefits	81,227,538	62,061,534	143,289,072	92,039,463	65,938,948	157,978,411	97,873,365	69,086,664	166,960,030	102,090,429	71,394,802	173,484,830
Books & Supplies	6,503,763	11,846,481	18,350,243	7,573,410	24,728,668	32,302,078	6,573,410	20,728,668	27,302,078	6,573,410	14,728,668	21,302,078
Services, Other Operating Expenses	37,318,976	56,976,141	94,295,117	34,980,096	37,958,202	72,938,298	33,367,414	37,958,202	71,325,616	33,454,732	37,958,202	71,412,934
Capital Outlay	276,313	7,559,801	7,836,114	120,974	6,500	127,474	120,974	6,500	127,474	120,974	6,500	127,474
Other Outgo	6,045,649	5,291,305	11,336,954	5,985,437	6,261,844	12,247,281	5,985,437	6,261,844	12,247,281	5,985,437	6,261,844	12,247,281
Direct Support/Indirect Costs	(3,262,854)	2,053,988	(1,208,865)	(3,047,079)	1,890,819	(1,156,260)	(3,047,079)	1,890,819	(1,156,260)	(3,047,079)	1,890,819	(1,156,260)
Other Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>312,711,971</b>	<b>246,401,296</b>	<b>559,113,267</b>	<b>332,070,259</b>	<b>238,682,310</b>	<b>570,752,569</b>	<b>343,588,891</b>	<b>241,946,732</b>	<b>585,535,623</b>	<b>362,524,217</b>	<b>245,660,049</b>	<b>608,184,267</b>
<b>EXCESS OF REV OVER EXP</b>	<b>85,903,825</b>	<b>(59,100,165)</b>	<b>26,803,659</b>	<b>70,246,469</b>	<b>(69,942,173)</b>	<b>304,296</b>	<b>61,045,264</b>	<b>(72,600,744)</b>	<b>(11,555,480)</b>	<b>54,447,490</b>	<b>(75,748,600)</b>	<b>(21,301,110)</b>
<b>OTHER FINANCING SOURCES/USES</b>												
Transfers In	392,488	-	392,488	564,067	-	564,067	564,067	-	564,067	564,067	-	564,067
Transfers Out	1,210,927	4,722,297	5,933,224	1,790,000	886,044	2,676,044	1,790,000	886,044	2,676,044	1,790,000	886,044	2,676,044
Sources												
Uses												
Cont. to Rest. Programs	(65,893,563)	65,893,563	-	(68,843,540)	68,843,540	-	(71,597,282)	71,597,282	-	(74,461,173)	74,461,173	-
<b>TOTAL OTHER FIN. SOURCE/USES</b>	<b>(66,712,003)</b>	<b>61,171,266</b>	<b>(5,540,736)</b>	<b>(70,069,473)</b>	<b>67,957,496</b>	<b>(2,111,977)</b>	<b>(72,823,215)</b>	<b>70,711,238</b>	<b>(2,111,977)</b>	<b>(75,687,106)</b>	<b>73,575,129</b>	<b>(2,111,977)</b>
<b>NET INC (DEC) IN FUND BALANCE</b>	<b>19,191,822</b>	<b>2,071,101</b>	<b>21,262,923</b>	<b>176,996</b>	<b>(1,984,677)</b>	<b>(1,807,681)</b>	<b>(11,777,950)</b>	<b>(1,889,506)</b>	<b>(13,667,457)</b>	<b>(21,239,616)</b>	<b>(2,173,471)</b>	<b>(23,413,087)</b>
Beginning Fund Balance	17,974,960	38,612,894	56,587,855	30,561,997	40,683,996	71,245,993	30,738,993	38,699,319	69,438,312	18,961,043	36,809,812	55,770,856
Other Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Audit Adjustments	(6,604,785)	-	(6,604,785)	-	-	-	-	-	-	-	-	-
Other Restatements	-	-	-	-	-	-	-	-	-	-	-	-
<b>ENDING BALANCE, JUNE 30</b>	<b>30,561,997</b>	<b>40,683,996</b>	<b>71,245,993</b>	<b>30,738,993</b>	<b>38,699,319</b>	<b>69,438,312</b>	<b>18,961,043</b>	<b>36,809,812</b>	<b>55,770,856</b>	<b>(2,278,573)</b>	<b>34,636,341</b>	<b>32,357,768</b>
<b>Components of Fund Balance</b>												
Revolving Cash	150,000	-	150,000	150,000	-	150,000	150,000	-	150,000	150,000	-	150,000
Stores	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expenditures	139,029	-	139,029	-	-	-	-	-	-	-	-	-
General Reserve	-	-	-	-	-	-	-	-	-	-	-	-
Legally Restricted Balances	4,932,080	40,683,996	40,683,996	9,962,005	38,699,319	38,699,319	9,962,005	36,809,812	36,809,812	9,962,005	34,636,341	34,636,341
Assignments	-	-	-	-	-	-	-	-	-	-	-	-
Reserve for Economic Uncertainties	11,300,930	-	11,300,930	11,468,572	-	11,468,572	11,764,233	-	11,764,233	12,217,206	-	12,217,206
Additional Reserve for Economic Uncertainties	8,475,697	-	8,475,697	8,601,429	-	8,601,429	7,352,646	-	7,352,646	6,108,603	-	6,108,603
<i>FY20/21 Exp Reductions and/or Rev Enhancements - ONGOING</i>	-	-	-	-	-	-	(10,000,000)	-	(10,000,000)	(20,000,000)	-	(20,000,000)
<i>FY21/22 Exp Reductions and/or Rev Enhancements - ONGOING</i>	-	-	-	-	-	-	-	-	-	(10,500,000)	-	(10,500,000)
Impact to EU due to Exp Reductions	-	-	-	-	-	-	(325,000)	-	(325,000)	(615,000)	-	(615,000)
Undesignated / Unappropriated	5,564,262	-	5,564,262	556,988	-	556,988	57,160	-	57,160	398,614	-	398,614
<b>Additional reserve at multiple levels</b>												
<b>2.00%</b>	11,300,930	-	11,300,930	11,468,572	-	11,468,572	11,764,233	-	11,764,233	12,217,206	-	12,217,206
<b>1.50%</b>	8,475,697	-	8,475,697	8,601,429	-	8,601,429	8,823,175	-	8,823,175	9,162,905	-	9,162,905
<b>1.25%</b>	7,063,081	-	7,063,081	7,167,858	-	7,167,858	7,352,646	-	7,352,646	7,635,754	-	7,635,754
<b>1.00%</b>	5,650,465	-	5,650,465	5,734,286	-	5,734,286	5,882,117	-	5,882,117	6,108,603	-	6,108,603
<b>0.75%</b>	4,237,849	-	4,237,849	4,300,715	-	4,300,715	4,411,588	-	4,411,588	4,581,452	-	4,581,452
<b>0.50%</b>	2,825,232	-	2,825,232	2,867,143	-	2,867,143	2,941,058	-	2,941,058	3,054,302	-	3,054,302