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Memo

To Board of Education
From Kyla Johnson-Trammell, Superintendent
Board Meeting Date February 11, 2019
Subject Resolution No. 1819-0144 – Budget Reduction Recommendation to Achieve Fiscal Year 2019-2020 3% Reserve for Economic Uncertainty

Action Requested and Recommendation Adoption by the Board of Education of Resolution No. 1819-0144 – Budget Reduction Recommendation to Achieve Fiscal Year 2019-2020 3% Reserve for Economic Uncertainty from a reduction target of \$30M to \$21.75M.

Background and Discussion At the November 14, 2018 Board Meeting, the Board discussed and approved Resolution 1819-0013 from the Board’s Special Committee on Fiscal Vitality (FVC). The FVC met over the fall of 2018 to review key board policies and the Governance Theory of Action. The Committee created a set of recommendations for budget development and prioritization for the 2019-20 school year. In addition reductions of ~\$30 million (coupled with savings measures and efficiencies), key recommendations include: 1. implement BP 3150; 2. redesign the District; 3. competitive employee compensation; and 4. commit to shared decision making and multi-stakeholder teams.

Staff is recommending a revised target of \$21.75M which is still projected to reach the 3% reserve due to the updated information in the First Interim Report. The reduced target also allows the Superintendent and staff to minimize the impact of budget reductions on the level of service, quality of staff and education programs for District students. The FY 2019-20 Reduction Plan includes: 1. reduction of \$11.9M in central administrative costs; 2. reduction of \$3.75M in central services to sites; 3. \$1.47M in contract reductions and maximizing restricted resources; 4. \$1.6M in additional operational cost savings; and 5. \$3M in reductions to discretionary funds to school sites.

Fiscal Impact Reductions of \$21.75 million to 2019-20 Budget to reach a 3.0% reserve and account for new investments, including employee compensation, recruitment, and retention.

Attachments

- Resolution No. 1819-0144 – Budget Reduction Recommendation to Achieve Fiscal Year 2019-2020 3% Reserve for Economic Uncertainty

RESOLUTION
OF THE
BOARD OF EDUCATION
OF THE
OAKLAND UNIFIED SCHOOL DISTRICT
NO. 1819-0144

Budget Reduction Recommendation to Achieve Fiscal Year 2019-2020 3%
Reserve for Economic Uncertainty

WHEREAS, the Governing Board (hereafter “Board”) passed Commitment to Fiscal Solvency Resolution 1819-0041 on August 8, 2018 to address the Oakland Unified School District’s projected deficit which at the time was estimated to grow from an estimated \$20,300,000 in 2019-20 fiscal year, and \$59,000,000 in the 2020-21 fiscal year and provided for reductions of at least \$21,750,000 beginning in 2019-20 to address the budget shortfall and provide for a minimum 3% reserve beginning in 2019-20 fiscal year; and

WHEREAS, this Resolution supersedes Resolution No. 1819-0041 and provides for all Board reductions based on updated budget information at First Interim, release of the Governor’s 2019 Budget proposal, and a consideration of required employee investments; and

WHEREAS, the Board recognizes that the District is highly dependent on revenue from the State of California and that revenue source is dependent on the on-going stability of the California State economy; and

WHEREAS, the Board recognizes that the Governor’s 2019/2020 Budget proposal projects out year increases tied to primarily cost of living adjustments only, and that these budget components have a direct impact on the District’s multi-year projections; and

WHEREAS, the Board of Directors understands the increased costs of living to staff in the Oakland Community and Greater Bay Area and the impacts on recruiting and retaining highly skilled teachers and staff, and the Board is committed to increasing investments in staff salaries;

WHEREAS, the Board further recognizes the impact of declining enrollment and increasing California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) pension costs on the District’s budget;

WHEREAS, the AB 1200 provides for the District to provide to the Alameda County Office of Education a full disclosure of proposed impacts, costs, and multi-year projections to support any negotiated salary investments; and

WHEREAS, Education Code section 42127(c) provides, in relevant part, that the County Superintendent of Schools shall:

“Determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multi-year financial commitments . . . [and] shall either conditionally approve or disapprove a 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 described in this paragraph”; and

WHEREAS, based on the District projections of revenue and expenditures and the District’s current fiscal challenges and commitment to staff salaries, it is projected that without offsetting reductions, the District would not meet its required minimum reserves beginning in the 2019-2020 and 2020-21 fiscal years, and the District would have a negative ending fund balance which would vary based on the level of employee salary commitments and other district drivers of revenue and costs; and

WHEREAS, the Board desires to minimize the impact of budget reductions on the level of service and quality of staff and education programs for District students; and

WHEREAS, on November 14, 2018, the Board passed Resolution No. 1819-0013 providing direction on the fiscal years 2018-2019 and 2019-2020 budget reductions, including desired minimum reserve levels that achieve a maximum of \$30 million in reductions for the 2019-20 year and focus on: 1. implementing BP 3150; 2. redesigning the District; 3. providing competitive employee compensation; and, 4. committing to shared decision making and multi-stakeholder teams; and

WHEREAS, the Superintendent presented information to the Board relating to the 2019-2020 budget on January 9, 2019 and January 23, 2019, which included potential options for budget reductions, a recommendation for 2019-2020 budget reductions on February 6, 2019, for first read, and a final vote on proposed budget reductions for the 2019-2020 budget on February 11, 2019; and

WHEREAS, the Superintendent recommends (1) a reduction \$11.9M in central administrative costs, a total of 90.23 FTE to be eliminated or moved to restricted funding sources ; (2) a reduction of \$3.75M in central services to sites, a total of 57.8 FTE to be eliminated or moved to restricted funding sources; (3) reallocation of supplemental funds to support educator

retention and compensation; (4) \$1.47M in reductions to contracts and maximizing restricted resources, and (5) \$1.6M in additional operational cost savings.

NOW, THEREFORE, BE IT RESOLVED, this Resolution supersedes Resolution No. 1819-0041 and provides for all Board reductions based on updated budget information at First Interim, release of the Governor’s 2019 Budget proposal, and a consideration of required employee investments; and

BE IT FURTHER RESOLVED, the Governing Board hereby adopts the Superintendent’s recommendation relating budget reductions to achieve its Fiscal Year 2019-20 3% Reserve for Economic Uncertain and investments in educator compensation through: (1) a reduction \$11.9M in central administrative costs, a total of 90.23 FTE to be eliminated or moved to restricted funding sources; (2) a reduction of \$3.75M in central services to sites, a total of 57.8 FTE to be eliminated or moved to restricted funding sources; (3) reallocation of supplemental funds to support educator retention and compensation; (4) \$1.47M in reductions to contracts and maximizing restricted resources; and, (5) \$1.6M in additional operational cost savings; and

BE IT FURTHER RESOLVED, that the Board hereby directs the Superintendent to initiate all steps necessary to implement these budget reductions, including without limitation, statutory notices relating to layoff or reassignment and to incorporate these budget reductions in the proposed Fiscal Year 2019-2020 District Budget to be adopted by Board not later than June 30, 2019; and

BE IT FURTHER RESOLVED, that given Board Policy 3100.1 and the District’s budget, the Board requires the Superintendent to develop a conservative budget that achieves at minimum a 3% reserve beginning in FY 2019-20 in order to address unforeseen budgetary increases.

PASSED AND ADOPTED this 11th day of February, 2019, at a Special Meeting of the Governing Board by the following vote:

PREFERENTIAL AYE:

PREFERENTIAL NOE:

PREFERENTIAL ABSTENTION:

PREFERENTIAL RECUSE:

AYES:

NOES:

ABSTAINED:

RECUSE:

ABSENT:

CERTIFICATION

We hereby certify that the foregoing is a full, true and correct copy of a Resolution passed at a Special Meeting of the Board of Education of the Oakland Unified School District, held on February 11, 2019.

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OAKLAND UNIFIED SCHOOL DISTRICT

Aimee Eng
President, Board of Education

Kyla Johnson-Trammell
Superintendent and Secretary, Board of Education