

Board Office Use: Legislative File Info.	
File ID Number	19-1386
Introduction Date	6/12/19
Enactment Number	19-0963
Enactment Date	6/12/19 If



**OAKLAND UNIFIED
SCHOOL DISTRICT**
Community Schools, Thriving Students

Memo

To Board of Education

From Kyla Johnson-Trammell, Superintendent
Michael L. Smith

Board Meeting Date June 12, 2019

Subject Resolution No. 1819-0216 – Appeal of Second Interim Report Certificate

Action Adoption by the Board of Education of Resolution No. 1819-0216 to ratify the April 22, 2019 letter issued by the District to the California Department of Education appealing Alameda County Office of Education’s April 15, 2019 change in the District’s certification from positive to qualified.

Background On March 13, 2019, the Board of Education approved the District’s second interim report with a positive certification (Enactment No. 19-0408). On April 15, 2019, the Alameda County Office of Education (“ACOE”) responded to the District’s second interim report and changed the certification from positive to qualified. Due to the very short legal deadline to appeal and after consultation with leadership, on April 22, 2019 the Superintendent issued a letter to the California Department of Education (“CDE”) appealing ACOE’s April 15th change in OUSD’s certification from positive to qualified.

Discussion Resolution No. 1819-0216 would ratify the April 22, 2019 letter issued to the CDE appealing ACOE’s April 15th change in OUSD’s certification from positive to qualified.

Fiscal Impact None

Attachment Resolution No. 1819-0216

RESOLUTION
OF THE
BOARD OF EDUCATION
OF THE
OAKLAND UNIFIED SCHOOL DISTRICT
NO. 1819-0216

California Department of Education Appeal - Alameda County Office of Education - District's Fiscal Year 2018-2019 Second Interim Report Certification

WHEREAS, on March 13, 2019, the Oakland Unified School District ("OUSD") Board of Education approved OUSD's second interim report with a positive certification (Enactment No. 19-0408);

WHEREAS, on April 15, 2019, the Alameda County Office of Education ("ACOE") responded to OUSD's second interim report, and changed the certification from positive to qualified (a copy of ACOE's response is attached herewith as *Exhibit A*); and

WHEREAS, on April 22, 2019, due to the very short legal deadline applicable to OUSD to appeal ACOE's response to OUSD's second interim report, after consultation with leadership OUSD's Superintendent issued a letter to the California Department of Education ("CDE") appealing ACOE's April 15th change in OUSD's certification from positive to conditional (a copy of the April 22nd appeal letter is attached hereto as *Exhibit B*);

NOW, THEREFORE, BE IT RESOLVED, OUSD's Board hereby ratifies, on behalf of OUSD, the April 22, 2019 letter issued to the CDE appealing ACOE's April 15, 2019 change in OUSD's certification from positive to conditional.

Passed by the following vote:

PREFERENTIAL AYE: None

PREFERENTIAL NOE: None

PREFERENTIAL ABSTENTION: None

PREFERENTIAL RECUSE: None

AYES: Jumoke Hinton Hodge, Gary Yee, Roseann Torres, James Harris, Vice President Jody London and President Aimee Eng

NOES: None

ABSTAINED: None

RECUSE: None

ABSENT: Shanthi Gonzales and Student Directors Yota Omosowho and Josue Chavez

CERTIFICATION

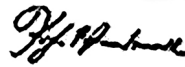
We hereby certify that the foregoing is a full, true and correct copy of a Resolution passed at a Regular Meeting of the Board of Education of the Oakland Unified School District, held on June 12, 2019.

Legislative File Info.	
File ID Number:	19-1386
Introduction Date:	6/12/19
Enactment Number:	19-0963
Enactment Date:	6/12/19 lf

OAKLAND UNIFIED SCHOOL DISTRICT



Aimee Eng
President, Board of Education



Kyla Johnson-Trammell
Superintendent and Secretary, Board of Education

EXHIBIT A



Alameda County Office of Education

April 15, 2019

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

RE: 2018-19 Second Interim Report

Dear President Eng:

The Oakland Unified School District (OUSD) filed a POSITIVE certification of the district's Second Interim Report for fiscal year 2018-19 with the Alameda County Office of Education (ACOE). In accordance with Education Code Section 42131, ACOE reviewed the Second Interim Report, based on standards and criteria for fiscal stability adopted by the State Board of Education pursuant to Section 33127.

ACOE's review determined that OUSD may not meet its financial obligations for the current fiscal year and two subsequent fiscal years. Consequently, the certification shall be changed to QUALIFIED.

The revised certification is based on the following areas of concern:

Reduced Prior Year ADA

ACOE projects lower LCFF revenue for OUSD based on attendance and enrollment reports.

The revised 2017-18 P-2 attendance report and the decreased 2018-19 CALPADS enrollment (certified) causes OUSD's 2018-19 projected LCFF revenue to decrease from what was presented in the Second Interim Report.

Based on ACOE's LCFF projections, OUSD will be funded at 95.01% of the CALPADS enrollment, which decreases OUSD's LCFF revenue by approximately \$5,313,510, or 442.66 ADA from OUSD's estimates in FY 2018-19. The \$5,313,510 is a reduction to the 2018-19 unrestricted fund balance.

Vacation Liability

ACOE identified additional liabilities related to vacation balances for separated employees.

The OUSD Board of Education acted to reduce expenditures by approving Resolution No. 1819-0144 – Budget Reduction Recommendation to Achieve Fiscal Year 2019-2020 3% Reserve for Economic Uncertainty (3/4/2019), Resolution No. 1819-0098 – Layoffs/Additions/Net of Classified Positions for Fiscal Year 2019-2020 (3/13/2019), and

Resolution No. 1819-0098A – Amendment of Layoffs/Additions/Net of Classified Positions for Fiscal Year 2019-2020 (4/10/2019).

Resolution No. 1819-0144 specified a reduction of 148.03 FTE for a savings of \$15,680,000. However, the obligation to pay employees with vacation balances upon separation of employment was not factored into the computation of savings. The estimated vacation liability of \$1,285,221 is a reduction to the 2018-19 unrestricted fund balance.

Multi-Year Projections

ACOE is concerned that OUSD's Reserve for Economic Uncertainties in the current and two subsequent fiscal years will be insufficient to meet the state's minimum 2.00% reserve requirement.

OUSD estimates the 2018-19 unrestricted fund balance at \$16,710,114 and the minimum state reserve at \$12,141,607. Reducing the fund balance to account for the adjustments above - the Reduced Prior Year ADA (\$5,313,510) and Vacation Liability (\$1,285,221) - causes OUSD's 2018-19 Reserve for Economic Uncertainties to equal \$10,111,383, or 1.67%, which falls below the minimum state reserve.

Due to the factors above, the loss of ADA in 2018-19 due to the strike, as well as anticipated settlements with additional bargaining units, ACOE requires a Third Interim Report from OUSD. ACOE believes OUSD's fiscal position is uncertain and that additional revenue enhancements and/or expenditure reductions will be required in future years.

My office remains committed to working collaboratively with the district to ensure its long-term fiscal health. If you have any questions or concerns regarding our review process, please feel free to call me at (510) 670-4140.

Sincerely,



L. Karen Monroe
Alameda County Superintendent of Schools

cc: Board of Education, Oakland USD

Kyla Johnson-Trammell, Superintendent, Oakland USD

Ofelia Roxas, Chief Financial Officer, Oakland USD

Tony Thurmond, Superintendent of Public Instruction

Christopher Learned, Fiscal Oversight Trustee

Raul A. Parungao, Associate Superintendent of Business Services, ACOE

Teresa Santamaria, Chief of District Business & Advisory Services, ACOE

EXHIBIT B



April 22, 2019

Via Email and U.S. Mail

Tony Thurmond
State Superintendent of Public Instruction
California Department of Education
1430 N Street
Sacramento, CA 95814-5901

RE: Oakland Unified School District Second Interim Report Appeal

Dear State Superintendent Thurmond:

Pursuant to Education Code section 42131, the District appeals the Qualified rating of its Second Interim Report for the period July 1, 2018 through January 1, 2019. Under section 42131, the District shall base its certification on the financial and budgetary reports required under Education Code section 42130, and a positive certification shall be assigned to any school district that, based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years. As reflected in the District's Second Interim Report and discussed here, the District meets the statutory criteria for a positive certification.

The County Office of Education applied a "Qualified" rating to the District's Second Interim Report. The County Superintendent seems to base this rating on a potential decline in 2018-2019 average daily attendance (ADA) anticipated in the P-2 certification based on the Oakland Education Association (OEA) labor action during February 21 to March 1, 2019. This subsequent information is not part of the the Second Interim Report reporting period, which ended January 31, 2019. Education Code section 42131 permits, but does not require, the consideration of subsequent information prior to the certification of the interim report. However, if the District elected to include the potential decrease in LCFF revenues due to the labor action into its Second Interim, the corresponding decrease in expenditures from salary savings from the labor action also should be included. Due to the lead times needed for submission of materials to the Governing Board and the time needed to report student and staff attendance, this information was not available to the District at the time of the submission deadline for Second Interim. Instead, this data is being analyzed for inclusion in a Third Interim Report or Estimated Actuals or Unaudited Actuals.

Similarly, the County noted that the potential vacation liability associated with classified layoffs approved March 13 (Resolution 1819-0098) and April 10, 2019 (Resolution 1819-0098A) should be included in the Second Interim Report. Importantly, following the Board's adoption of Resolutions 1819-0098 and 1819-0098A, the District's Talent department began analyzing the impacted employees' bumping rights to ensure that the classified layoff pertained to the least senior employees in the District. That bumping analysis was completed on April 19 which is the earliest date to determine which employees are impacted and their accrued vacation. However, because most of the District's labor agreements have provisions relating to the use and annual payout of accrued vacation, the classified layoff is not anticipated to have significant vacation pay liability. Also, vacation liability is offset in whole or in part by salary savings that are obtained from vacancies and early separations. This information was not required to be included in the Second Interim Report ending January 31. Instead, this data is being analyzed for inclusion in a Third Interim Report or Estimated Actuals or Unaudited Actuals.



The District recognizes that considerable work remains to reach its goals of Fiscal Vitality and is appreciative of the County Superintendent's support. Numerous improvements have been realized already. Regarding the County's Qualified certification, the calculations for the County's restated projections of \$5,313,510 and \$1,285,221 are unclear. To ensure its due diligence, preservation of appeal rights, and application of the statutory requirements, the District seeks further review by the State Superintendent through this appeal. The District believes its Second Interim Report meets the statutory standards for a positive rating.

Sincerely,

Kyla Johnson-Trammell
Superintendent

Cc: Karen Monroe, Alameda County Superintendent of Schools
Marion McWilliams, General Counsel

Encl. Second Interim Report
County Office of Education's April 15th Certification Letter