



Board Office Use: Legislative File Info.	
File ID Number	21-0254
Introduction Date	4/28/2021
Enactment Number	21-0626
Enactment Date	4/28/2021 os

Board Cover Memorandum

To Board of Education

From Kyla Johnson-Trammell, Superintendent
Lisa Grant-Dawson, Chief Business Officer

Meeting Date April 28, 2021

Subject Resolution No 2021-0254 - Approving the District's Revised 2021-22 Budget Reduction Options and Bridge Plan for the Fiscal Year 2021-2022 Budget

Ask of the Board Adoption by the Board of Education of Resolution No. 2021-0254 - Approving the District's Revised 2021-22 Budget Reduction Options and Bridge Plan for the Fiscal Year 2021-2022 Budget

Background Since 2020-21 Budget Adoption, District staff has projected that it would need to reduce \$16 million dollars in expenditures for the 2021-22 fiscal year. On February 28, 2021, District staff developed and presented, for first reading, the 2021-22 Budget Reduction Options and Bridge Plan ("Plan").

During the analysis and discussions regarding the District's priorities, organizational status, and finances, it was challenging to timely identify specific District-wide priorities and options for ongoing modified or suspended investments. To ensure timely development of the Budget and in preparation for ongoing recommendation for reductions in the 2022-23 Fiscal Year, District staff recommended the Plan for the 2021-22 Fiscal Year.

District staff have since presented and the Board has approved the Fiscal Sustainability Plan (February 24, 2021) as well as hosted special meetings regarding the one-time resources (March 16, 2021) and the March 1, 2021 letter from FCMAT (March 31, 2021).

Discussion

District staff is now proposing to amend and then adopt the Revised 2021-22 Budget Reduction Options and Bridge Plan ("Revised Plan") as follows (compared with what was presented on February 24, 2021):

The 2021-22 Budget Reductions and One-Time Bridge Plan of ~~\$20,765,000~~ \$19,400,000 are listed in the attachment and summarized as follows below:

- Budget Reductions - ~~\$4,765,000~~ \$3,400,000
 - ~~Reductions in Staff from 2020-21 Budget Resolution - \$1,365,000~~
 - Eliminate Contribution to Student Nutrition - \$1,600,000
 - Central Office Reductions from Reorganization of Police Services with Full Deployment of the George Floyd Resolution - \$1,800,000
- One-Time Bridge Plan - \$16,000,000
 - Elementary and Secondary Emergency Relief (ESSER) II - \$11,000,000
 - Assembly Bill (AB) 1840 - \$5,000,000

With respect to the elimination of "Reductions in Staff from 2020-21 Budget Resolution - \$1,365,000," the Board has indicated its desire to use one-time funds to restore, on a one-time basis, reductions in staff stemming from enrollment declines. This list included the positions that were reduced (ongoing) but which the Board subsequently retained for one year (2020-21) by Board Resolution No. 1920-0214.

The Board needs to be aware that the elimination of this budget reduction is at a cost of \$1,365,000 per year. These ongoing reductions will be implemented for 2022-23 unless the Board directs otherwise.

In its April 16, 2021 response to the District's 2020-21 Second Interim Budget Report, the Alameda County Office of Education ("ACOE") wrote that it "has not received OUSD's board-approved budget-balancing solutions or a timeline of its implementation aside from OUSD's short-term stabilization 'Bridge Plan'. The District must address the structural deficit including a detailed plan of action and status updates to the County Trustee and ACOE."

The County Trustee also recently wrote to the District to request, "per ACOE's directive on their 1st Interim letter [,] that 'Board-approved and identified budget-balancing solutions' be included" in the multi-year projects at Third Interim and at 2021-22 budget adoption. "Specifically, I am requesting that the MYP for the combined \$58,583,000 for the 2022-23

fiscal year have explicit wording as to how the District plans to address the deficit defined as other adjustments in the 2nd interim report.”

This means that the District cannot simply lean on the Revised Plan, but must be specific regarding its plan of action to address reductions for 2022-23 by Third Interim, which is scheduled to be presented to the Board on May 26, 2021. Without such specificity, the District faces a serious risk of having ACOE reject its 2021-22 budget, despite the one-time resources.

Fiscal Impact

\$3.4 million in savings from ongoing reductions and the use of \$11 million from Elementary and Secondary Emergency Relief (ESSER) II and \$5 million from the District’s 2021 allocation under Assembly Bill No. 1840 to cover the remaining \$16 million deficit for 2021-22.

Attachment(s)

- Resolution No. 2021-0254 - Approving the District's Revised 2021-22 Budget Reduction Options and Bridge Plan for the Fiscal Year 2021-2022 Budget
- Oakland Unified School District 2021-22 Budget Reduction Option & Strategy List - Version 2
- April 16, 2021 Letter from Alameda County Office of Education Re: 2020-21 Second Interim Budget Report
- April 21, 2021 Letter from Trustee Learned Re: Budget Development Multi-Year-Projects

**RESOLUTION OF THE
BOARD OF EDUCATION OF THE
OAKLAND UNIFIED SCHOOL DISTRICT**

Resolution No. 2021-0254

**Approving the District's Revised 2021-22 Budget Reduction Options and Bridge Plan for the
Fiscal Year 2021-2022 Budget**

WHEREAS, the Board of Education ("Board") recognizes that, in order to improve opportunities and outcomes for all students in the Oakland Unified School District ("District" or "OUSD") and close equity gaps for the District's historically underserved and most vulnerable students, the District must ensure that it remains fiscally solvent in the next three (3) school years, as well as years to come;

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

WHEREAS, the District's Second Interim Financial Report for the Quarter ending January 31, 2021 showed that the District is not currently insolvent and is not likely to become insolvent during the current year, provided it does not permit its expenditures to exceed its revenues and shows that the District must timely take prudent actions in order to remain solvent in Fiscal Year 2022-2023 and subsequent years;

WHEREAS, Alameda County Office of Education's response to the District First Interim budget requested that the District provide "a list of Board-approved and identified budget-balancing solutions on or before March 16, 2021";

WHEREAS, District staff presented the 2021-22 Budget Reduction Options and Bridge Plan to the Board on February 24, 2021;

WHEREAS, during the March 16, 2021 Special Meeting, Board member requested that there be no reductions in (i) positions at any school site due to enrollment decline, (ii) positions at Blueprint/Cohort 1 and 2 schools, or (iii) Assistant Principals and other positions that were slated to be reduced pursuant to Resolution No. 1920-0214;

WHEREAS, the Board recognizes that the use of one-time money must be for one-time purposes and the Board commits to reduce every position funded by one-time funds in 2021-22 in 2022-23 for the 2023-24 fiscal years;

WHEREAS, ACOE and the County Trustee have requested that the District explicitly state how it plans to make \$58,583,000 in reductions for the 2022-23 by Third Interim, which is scheduled to be presented May 26, 2021.

NOW, THEREFORE, BE IT RESOLVED, the Board the Board agrees to adopt the Revised Budget Options and Bridge Plan ("Revised Plan") as follows:

- Ongoing Budget Reductions - \$3,400,000
 - Eliminate Annual Contribution from General Fund (Fund 01) to Student Nutrition (Fund 13) - \$1,600,000
 - Central Office Reductions from Reorganization of Police Services with Full Implementation of the George Floyd Resolution - \$1,800,000
- One-Time Bridge Plan – Proposed for up to \$16,000,000
 - Elementary and Secondary Emergency Relief (ESSER) II - \$11,000,000
 - Assembly Bill (AB) 1840 - \$5,000,000; and

BE IT FURTHER RESOLVED, the Board recognizes that the Revised Plan primarily includes one-off solutions to the District's 2021-22 deficit and that such solutions do not address and could delay the long-term fiscal sustainability of the District and the Board is committed to finding and approving additional budget solutions for the subsequent two fiscal years (2022-23 and 2023-24) to ensure the long-term fiscal solvency of the District by adopting budget-balancing solutions in the multi-year projections at Third Interim and at 2021-22 budget adoption.

PASSED AND ADOPTED by the Board of Education of the Oakland Unified School District this ____ day of _____, 2021, by the following vote:

PREFERENTIAL AYE: Student Director Jessica Ramos

PREFERENTIAL NOE: None

PREFERENTIAL ABSTENTION: None

PREFERENTIAL RECUSE: None

AYES: Gary Yee, Mike Hutchinson, Aimee Eng, VanCedric Williams, Clifford Thompson,
Vice President Benjamin "Sam" Davis, President Shanthi Gonzales

NOES: None

ABSTAINED: None

RECUSED: None

ABSENT: Student Director Samantha Pal


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 _____
_____ April 28, 2021.

Legislative File	
File ID Number:	21-0254
Introduction Date:	4/28/2021
Enactment Number:	21-0626
Enactment Date:	4/28/2021
By:	os

OAKLAND UNIFIED SCHOOL DISTRICT

Shanthi Gonzales
President, Board of Education



Kyla Johnson-Trammell
Superintendent and Secretary, Board of Education

Oakland Unified School District 2021-22 Budget Reduction Option & Strategy List - Version 2

Target Amount	\$	16,000,000
Total Actual Proposed Reductions - Revised	\$	(3,400,000)
Total Proposed Bridge Option from ESSER II & AB 1840	\$	(16,000,000)
Remaining Reductions to Achieve/(Excess Available over Target)	\$	(3,400,000)

Number	Date of Final Decision/Analysis Completion in Preparation for Recommendation	Option Type	FTE	Projected Reductions	Strategy/Description
1	4/28/2021	Reduction in Staff from 2020-21	8.00	\$ 1,365,000	Resolution 1920-0214 called for a reduction of Assistant Principals & Classified Staff in 2020-21 which was later extended for one year with payments from the Fund Balance
2	4/28/2021	Eliminate Contribution		\$ 1,600,000	\$1.6MM was recently awarded in 2020-21; however, the Historical Contribution that needs to be eliminated and the Fund is forced to live within its own means as the General Fund has made reductions annually AND provided a contribution to the Nutrition Budget.
3	4/28/2021	Central Office Reductions from Re-organization of Police Services		\$ 1,800,000	The police department budget is being transitioned to the new home departments and all funding for sworn police officers will move to Community Schools along with the associated positions and other funding aligned to the scope of the George Floyd Resolution. It has also been recommended that all/a portion of any remaining unspent 2020-21 balance be provided as carryover to support the transition of this initiative for no more than two years.
4	4/28/2021	Use One-Time - Elementary and Secondary Emergency Relief II (ESSER II - \$57M) Funding to Bridge Necessary Reductions and allow time for planning and strategizing for 2022-23 recommendation and implementation.		\$ 11,000,000	ESSER II provides the following allowances: Other activities that are necessary to maintain operations and continuity of services and continuing to employ existing staff.
5	4/28/2021	Use One-Time AB1840 (\$16M) Resources to bridge necessary reductions and allow time for planning and strategizing for 2022-23 recommendations and implementation.		\$ 5,000,000	The District will receive \$16 M from its Assembly Bill (AB) 1840 Allocation as adopted in the Governor's 2020-21 Budget. This amount will be recognized as of the 2021-22 Second Interim as our District Audit and an outstanding analysis of department allocations will be complete/in progress; thus, completing our obligations to recognize these resources.
6	Dec-21	Realignment of General Fund Base, Supplemental, and Other Grant Funded/Restricted Positions and Expenditures		\$ -	It is recommended that the District continue to work through the financial and operational modeling for this area to recommend and implement an option for implementation in the 2022-23 Fiscal Year. This activity will align Base, Supplemental, and Concentration allocations, to include revising the methodology for supplemental and concentration dollars. It is recommended that we use the 2021-22 year to develop the pathway to align salaries with affordability and determine what areas of adjustment we need to recommend for reduction for the 2022-23 year. This is critical in how the can continue to afford small community schools, class sizes, and support at the levels it seeks and secure the desired outcomes academically and financially in the goal to return to a Positive Financial Status.
7	Dec-21	Initiate a District Administrative/Central Re-Organization Analysis and Recommend a Plan to align support services needed and clarify departmental priorities, roles, and goals.		\$ -	In an effort to reduce reductions to school sites, the District has made reductions to "Central" Services and the impact year over year has caused operational gaps and areas of focus that need definition and assurance that services can be met and sustained compliantly. The areas of deficiencies identified in various audit and programmatic review findings stem from the lack of alignment in services and clarification of roles and responsibilities due to the evolutions of change that have been deployed, but not managed.
8	Dec-21	Early Retirement Incentive		\$ -	This would be a strategy to research, analyze, and if viable deploy in 2022-23 as it takes several months to develop these long term annuity plans.
Total			-	\$ 19,400,000	



Alameda County Office of Education

L. K. Monroe Superintendent of Schools

April 16, 2021

Shanthi Gonzales, President
Board of Education
Oakland Unified School District
1000 Broadway, Suite 680
Oakland, CA 94607

RE: 2020-21 Second Interim Budget Report

Dear President Gonzales,

The Oakland Unified School District (OUSD) filed a QUALIFIED certification of the District's 2020-21 Second Interim Budget Report with the Alameda County Office of Education (ACOE). In accordance with Education Code (EC) Section 42131, ACOE reviewed the Second Interim Budget Report, based on standards and criteria for fiscal stability adopted by the State Board of Education pursuant to EC Section 33127.

Based on ACOE's review and analysis, the Second Interim Budget Report approved by OUSD's Governing Board (Board) on March 10, 2021, accurately reflects the financial status of the district. ACOE, therefore, concurs with the District's QUALIFIED certification with our comments outlined below.

LCFF Revenue Projections & Average Daily Attendance (ADA)

In consultation with the CDE, ACOE has confirmed OUSD will be funded in 2020-21 based on its corrected 2019-20 P-2 ADA report, plus additional Charter ADA for those charters that ceased operation during or after the 2019-20 school year. OUSD was not required to apply for this funding with the Growth Funding application and has received a total of 212.21 P-2 ADA from closed Charters both within and outside Alameda County. ACOE has shared this information with the District's fiscal staff and is pleased that ACOE's former LCFF ADA concerns have been resolved.

As expressed in ACOE's First Interim correspondence, OUSD projects continued declining enrollment throughout its Multiyear Budget Projection (MYP). While current "hold-harmless" legislation mitigates these declines through 2021-22, this legislation is set to expire in 2022-23. The COVID-19 pandemic has created even more uncertainty around enrollment; therefore, we believe that a conservative approach is important for LEAs. ACOE advises the District to create plans for additional budget-balancing solutions in case enrollment projections fail to materialize.

Multiyear Budget Projection (MYP) – District’s Required Cuts

OUSD’s 2020-21 Second Interim Multiyear Budget Projection (MYP) includes unidentified ongoing expenditure reductions that have increased since its First Interim Budget Report, showing limited progress to identify or incorporate budget-balancing solutions into the budget. For example, the District’s First Interim Budget Report included \$52 million in combined unidentified reductions from 2021-22 through 2022-23. These unidentified reductions have increased to \$61.8 million within the District’s Second Interim MYP. The District’s Second Interim MYP includes \$5.7 million in combined salary reductions to 2021-22, as well as \$3.2 million in unidentified reductions, “Other Adjustments”. Further, the District includes \$58.6 million in unidentified combined reductions to 2022-23. While the District’s submitted MYP demonstrates the ability to meet its minimum Reserve for Economic Uncertainties for the current and subsequent fiscal years, once the unidentified reductions are removed, the District has a **negative** 1.56% Reserve for Economic Uncertainty (REU) in 2022-23.

As expressed during the public disclosure communication, in the Second Interim packet and Public Disclosure documents, ongoing expenditures are balanced on one-time revenue but are carried forward throughout OUSD’s Multiyear Budget Projections. For example:

- Salaries and Benefits, in total at Adopted Budget, were projected at \$464 million; as of the Second Interim, before accounting for the effects of this most recent Tentative Agreement, Salaries and Benefits in total are budgeted at \$509 million and increase annually within the MYP.
- The District’s financial analysis projects the District is required to implement **\$3.2 million** in budget-balancing solutions in 2021-22 and **\$58.6 million in 2022-23**.
- ACOE is still awaiting a detailed plan for how OUSD will address these ongoing budgetary shortfalls.

ACOE has not received OUSD’s board-approved budget-balancing solutions or a timeline of its implementation aside from OUSD’s short-term stabilization “Bridge Plan”. The District must address the structural deficit including a detailed plan of action and status updates to the County Trustee and ACOE. ACOE’s First Interim letter clearly expressed ACOE’s expectation to receive with OUSD’s Second Interim Report a list of Board-approved and identified budget-balancing solutions on or before March 16, 2021. ACOE received OUSD’s resolution to approve its Second Interim Budget Report, which includes an executive summary of short-term solutions and the use of one-time funds as a “Bridge Plan” to aid the District with its budget prioritization. Most notable is the District plans to use \$5 million of its tentative 2021-22 AB 1840 grant funds as a one-time solution to defer implementing budgetary solutions. As a reminder, AB1840 funds are contingent on OUSD right-sizing its budget, addressing its structural deficit, while creating stability for the students most at risk. ACOE understands the “Bridget Plan” resolution (File ID: 21-0497) was read to the Board in February, but will be formally presented to the Board at the end of April 2021 for action. While we recognize the District’s efforts to meet ACOE’s request amid many dueling priorities, it is important to note that the district's process has yet to meet the

true intention for the District to be clear to its stakeholders regarding the structural deficit and needed budget-balancing solutions.

Health Benefits and Governing Board (HBGB)

As mentioned at Second Interim and within ACOE's Corrective Action Audit review process, ACOE understands there is an unrecognized HBGB liability for the District, and it is recommended the District work toward designating a portion of its fund balance to address this potential obligation. While the District works to confirm the amount with its stakeholders, the next reporting period (Third Interim) must include a tentative designation in the District's fund balance and throughout its MYP to address this obligation.

Blueprint for Quality Schools Progress

As mentioned at First Interim, ACOE recognizes moving forward with OUSD's Blueprint for Quality Schools taskforce is a necessary process as the district continues to decline in enrollment. It is imperative that OUSD continue facility discussions and implement action plans that support fiscal sustainability and improved school quality in the 2020-21 fiscal year and beyond.

Debt Issuance

We would like to remind the District of the statutory requirements for debt issuance for school districts with qualified or negative interim report certifications in the current or prior year. According to EC Section 42133(a), *"a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds, or any other debt instruments that do not require the approval of the voters of the district ...unless the county superintendent of schools determines...that the district's repayment of that indebtedness is probable."*

Please ensure that any debt instruments that do not require the approval of the voters of the District are submitted to our office at least 30 days prior to the District's Board action in accordance with Education Code Section 17150.1 and Assembly Bill 2197.

Collective Bargaining

We would like to remind the District of the requirements of Government Code (GC) Section 3547.5 and Assembly Bill (AB) 1200 (Statutes of 1991, Chapter 1213) on the public disclosure of collective bargaining agreements. As a qualified District, OUSD is required to provide ACOE with an analysis of the cost of any settlement and its impact on the operating budget at least 10 working days prior to the date the District Governing Board will take action on the proposed agreement.

Cash Flow Concerns

Due to the State's reliance on apportionment deferrals, we encourage all LEAs to closely monitor their cash flow throughout the course of operation. For LEAs throughout the state, the need to retain reserves above the minimum is a necessity. As of April 2021, OUSD utilized a temporary \$7 million loan to the General Fund. OUSD is also expected to participate in a Tax Revenue Anticipation Note (TRAN) of \$30 million to mitigate the impact of the deferrals. This is expected to be repaid in full by December 2021 from OUSD's State Apportionments. As a reminder, the effects of these deferrals, coupled with the removal of hold-harmless ADA provisions in 2022-23, will pose cash concerns for LEAs in the foreseeable future. We encourage governing boards to thoughtfully identify and implement budget adjustments throughout the course of operation, as well as vigorously monitor the LEA's cash position.

Conclusion

While the one-time revenues from state and federal resources have helped navigate the COVID-19 pandemic, when they expire in 2022-23, many LEAs will be faced with the same financial pressures that lead to structural deficits prior to the pandemic. As a result, ACOE cautions the District to remain vigilant about its budget and fiscal practices.

The District is required to continue to update ACOE bi-weekly on its progress in identifying the \$61.8 million in reductions and/or revenue enhancements. It is important to note that during this time, OUSD must remain resolute in its commitment to the District's fiscal solvency.

We want to acknowledge and express our appreciation to the District staff, the Board, and the community for their continued diligence and hard work. If you have any questions or concerns regarding our review process, please feel free to call me at (510) 670-4140.

Sincerely,



L.K. Monroe
Alameda County Superintendent of Schools

cc: Board of Education, Oakland USD
Dr. Kyla Johnson-Trammell, Superintendent, Oakland USD
Lisa Grant-Dawson, Chief Business Official, Oakland USD
Tony Thurmond, State Superintendent of Public Instruction, CDE
Chris Learned, Fiscal Oversight Trustee
Dr. Candi Clark, Associate Superintendent of Business Services, ACOE
Shirene Moreira, Interim Chief of District Business & Advisory Services, ACOE

Memo

To: Kyla Johnson-Trammell, Superintendent
Lisa Grant-Dawson, Chief Business Official

From: Chris Learned, Fiscal Oversight Trustee

cc: L.K. Monroe
Dr. Candi Clark
Shirene Moreira
Luz CõZares

Date: April 21, 2021

Re: Budget Development Multi-Year-Projects

As a follow-up to our check-in calls last week, I submit this memo as a reminder that School Services of California and FCMAT recommend relative to the Multi-Year Projections for the out years of the 2021-22 budget. Yesterday I asked Mike Fine for some clarity on the recommendation, to which he responded with the following:

“You have asked for some thoughts and best practices when considering analysis and presentation of multi-year financial data given the significant amount of one-time resources LEAs are receiving in pandemic relief. Let me address this by starting with some basic budgeting principles.

1. The process of resource allocation starts with a plan – LCAP, in-person transition, ELO – that is focused on student achievement and social-emotional growth.
2. LEAs should look at all funds and sources in developing a financial plan that supports the LCAP, in-person, ELO, plan. All the different puzzle pieces that represent all the funding resources come together to form the picture of the District.
3. LEAs should always use the most restricted resources first. Keep in mind that restrictions come in a variety of flavors – eligible uses, deadlines to spend, etc. Look at opportunities to mix and match different resources so that you can extend the resources over multiple years and for multiple purposes. (Also keep in mind that at the current time, the traditional most restricted Title 1 funding has statewide waivers in place for a period of time regarding timing of expenditures, making it less restrictive than normal based on expenditure timelines.)
4. One time funds should be used on one time needs. Negotiating recurring, basic salary increases with ESSER or in-person grants or expanded learning grants is foolish and will create an

unmanageable cliff in a couple of years. However, increasing summer school hourly pay for the short term using the same funds may make perfect sense to ensure sufficient teachers are available or learning loss mitigation. Treat this as a one-time summer school hourly pay adjustment. The same principle applies with any use of one time funding for recurring needs.

Our students have huge needs regarding learning loss and social-emotional stability and growth as a result of the pandemic. Use the relief funds to support those needs. That may involve using existing people differently and charging them to the ESSER or other grants. That may also result in unrestricted general fund savings. Think about expenditures that make a long-term Investment that saves the GF. HVAC replacement improves ventilation, reduces utility costs and saves on maintenance. So a percentage of the one-time funds ends up saving for years to come.

The significant amount of one-time relief funds will mask the true fiscal status and continuing challenges that LEAs are facing. This is especially true for 2022-23, when ADA hold harmless and temporary pension relief catch up to LEA finances. This is also an issue in 2021-22 with the recently announced increases in unemployment insurance and CalSTRS employer contribution rates. In order to keep the LEA's "eye on the ball" regarding out year projections, we believe the best practice is for an LEA to prepare two multi-year financial projections (MYPs) for the current and subsequent years. The first would include all one-time resources. The second version would exclude all one-time pandemic relief funds so that only the District's recurring, structural operations are shown."

I agree with Mike's recommendation for the two MYPs, as the OUSD Governing Board does not see a structural deficit in the Multi-Year Projections for the 2021-22 and 2022-23 fiscal years. Based on Mike's guidance, I am requesting that the OUSD provide two MYPs. The first including one-time resources, and the 2nd excluding one-time pandemic funds. Further, the MYPs must be specific about how the District will implement budget reductions/revenue enhancement for the 2022-23 and 2023-24 fiscal years.