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Enactment Date	10/9/2024 er



Board Cover Memorandum

To Board of Education

From Kyla Johnson Trammell, Superintendent
Lisa Grant-Dawson, Chief Business Officer
Ryan Nguyen, Interim Chief Financial Officer

Board Meeting Date October 9, 2024

Subject Review, Accept, and Respond to the 2024-25 Local Control and Accountability Plan (LCAP) and Conditionally Approved Adopted Budget Review Letter

Ask of the Board It is recommended that the Board review and accept the 2024-25 Conditionally Approved Adopted Budget Letter and its conditions from the Alameda County Office of Education.

Background On September 16, 2024, the District received a letter from the Alameda County Office of Education (ACOE) providing the results of the review of the District's 2024-25 Adopted Budget and a Conditional Approval of the budget pending further actions to support the approval of the budget by November 8, 2024 by the ACOE. The letter, which was presented and discussed by the Board at its regularly scheduled board meeting on September 25, 2024 by the County Superintendent Alysse Castro, who also discussed the letter and its contents to the District's labor partners on September 19, 2024. The letter was also discussed with the Budget and Finance Committee on October 3, 2024.

Discussion The District met with the County on numerous occasions in the prior years to establish a rhythm and cycle for Budget Balancing Solutions, in light of the historical years of deficit and one time spending. The dates presented were strategized and affirmed in joint effort by ACOE and the District staff, prior to the letter being finalized and submitted, which is another example of progressive governance, effective communication, and support of the District Fiscal Sustainability Plan. The letter included the following Actions needed to address Conditional Approval (EC 42127):

1. *By September 30, 2024, OUSD Staff will provide the OUSD Board, the Fiscal Trustee, and ACOE with a target amount for budget adjustments for 2025-26 that reflects the updated fund balances as a result of the 2023-24 Unaudited Actuals, covers the*

- existing shortfall, and any new or planned commitments not factored into the Adopted Budget; and*
- 2. By October 8, 2024, OUSD Staff will provide the Fiscal Trustee and ACOE with a cohesive and aligned strategic plan to address the target amount for budget adjustments with a date scheduled for a Board study-session to review and discuss the cohesive scenarios for budget adjustments.*
 - 3. By October 31, 2024, the OUSD Board will provide staff with direction on which budget adjustment scenario(s) to pursue that address the target amount for budget adjustments, which will return to the Board for further action.*
 - 4. By November 8, 2024, ACOE will conduct a review of all the items listed above and will make a final determination regarding the Adopted Budget in accordance with statute.*
 - 5. Ongoing on a bi-weekly basis,*
 - a. OUSD Staff will meet with the Fiscal Trustee and ACOE to provide updates, incorporating any committee work and Board Member report-outs that are reflective of the cohesive and aligned strategic plan; and*
 - b. ACOE will meet with the Fiscal Trustee, OUSD's Superintendent, and the OUSD Leadership team, to review and support OUSD's cohesive alignment between OUSD Leadership, the OUSD Board, and the community.*

Note that the above actions in September, October, and November are critical to resolve the conditional approval, but do not complete the budget balancing process. OUSD Board and Staff must continue to take budget balancing actions as part of the 2025-26 budget development process.

Additional actions that need to be taken, ideally in November and December 2024 (by the current Board that approved the increases in compensation since June 2023), but no later than February 2025 (which will involve new Board members just being seated) include, but are not limited to:

- 1. By November 30, 2024, the OUSD Board will take action on a budget balancing scenario to address the target amount for the 2025-26 budget adjustments.*
- 2. By December 15, 2024,*
 - a. The OUSD Board will take action, or set of actions, to implement the budget balancing solutions as part of the 2025-26 budget.*
 - b. Approve the 2024-25 First Interim Financial Report factoring in target amount for budget adjustments that will be approved or risk receiving a Negative Certification.*
 - i. A negative certification is assigned when a district will be unable to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year.*

Key dates and deliverables to support an approved budget and expectations to address and develop a board approved strategic plan for the then projected \$87M deficit in 2025-26, which has been revised to \$95M with communication sent as described to meet the September 30, 2024 deadline to identify the target for reductions. The primary change was driven from the net change in salaries includes for the UAOS and Confidential compensation agreements, which follows the OEA and BCTC agreements settled the year prior. The District remains committed to completing negotiations and improved compensation agreements with its other Bargaining Units, which the Conditional Approval letter acknowledges and affirms the need for action, as committed by the District.

A final and imperative note is the District's imminent final payments on the state loan, which totaled \$120M. \$100M was loan recovery and \$20M was interest, which again, with timely action and budget balancing prior to 2004, could have resulted in a different investment strategy for OUSD of the \$20M. The letter also addressed the District's fiscal solvency with the following statements:

The OUSD Board and Leadership Team has demonstrated its commitment to fiscal solvency by approving several recent resolutions regarding restructuring, paying off the state loan, and ensuring fiscal stability and release from receivership. To exit receivership and Trustee oversight, OUSD is on track to, and will need to (EC 41320.1):

- *Make the final two payments of the 2006 State emergency loan (Scheduled for June 2026),*
- *Complete a fiscal systems audit (In-progress), and*
- *Demonstrate the future compliance of the fiscal plan approved by the board is probable. (2025-26 Budget Development Process).*

The District is poised and preparing for what is a significant moment in the District's history to make the most momentous and timely decisions and to meet every deliverable described in this letter to meet the fiduciary outcomes and achieve fiscal solvency. We look forward to the recommendations provided, decisions made, adoption of our 2024-25 budget, and a clear way forward established for the 2025-26 year and beyond for our students, staff, and community. To do nothing continues to not be an option.

As a final reminder, the next progressive due dates are October 8th and October 31st as listed above.

Recommendation

It is recommended that the Board review and accept the 2024-25 Conditionally Approved Adopted Budget Letter and its conditions from the Alameda County Office of Education.

Attachments(s)

- 2024-25 Local Control and Accountability Plan (LCAP) and Conditionally Approved Adopted Budget Review Letter

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

RESOLUTION NO. 2425-0128

**Review, Accept, and Respond to the 2024-25 Local Control and Accountability Plan (LCAP)
and Conditionally Approved Adopted Budget Review Letter**

WHEREAS, the Oakland Unified School District (“OUSD”) adopted its Fiscal Year 2024-25 Budget on June 28, 2024;

WHEREAS, the Alameda County Office of Education (“ACOE”) conditionally approved the FY 2024-25 Budget and responded in a letter dated September 16, 2024 and outlined specific action items and due dates to complete their review by November 8, 2024. The letter is appended to this Resolution; and,

WHEREAS, OUSD Governing Board has reviewed the letter, its content, and deadlines and has no objections to at its regularly scheduled Board meeting on September 25, 2024 and at the Budget and Finance Committee meeting on September 3, 2024 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 related documents as the Board’s official response to ACOE’s September 16, 2024 letter.

Passed by the following vote:

PREFERENTIAL AYE: Maximus Simmons

PREFERENTIAL NOE: None

PREFERENTIAL ABSTENTION: None

PREFERENTIAL RECUSE: None

AYES: Jennifer Brouhard, VanCedric Williams, Jorge Lerma, Clifford Thompson, Vice President Mike Hutchinson,
President Benjamin Davis

NOES: None

ABSTAINED: Valarie Bachelor

RECUSED:None

ABSENT: None

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 the 9th Day of October 2024.

OAKLAND UNIFIED SCHOOL DISTRICT



Benjamin "Sam" Davis
President, Board of Education



Kyla Johnson-Trammell
Superintendent and Secretary, Board of Education

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Alameda County Office of Education

Alysse Castro, Superintendent

September 16, 2024

Dr. Kyla Johnson-Trammell, Superintendent
Members of the Board of Education
Oakland Unified School District (OUSD) via email

RE: 2024-25 Local Control and Accountability Plan (LCAP) and Adopted Budget Review

Dear Superintendent Johnson-Trammell and Members of the Board,

ACOE has reviewed OUSD's 2024-25 LCAP and Adopted Budget in accordance with Education Code (EC) Sections 42127 and 52070. The LCAP meets criteria for approval. The Adopted Budget currently does not. Approval of both documents is contingent upon the other, so both the 2024-25 LCAP and the Adopted Budget are *conditionally approved*. A conditional approval means that the district must take further actions, listed below, to formally obtain approval of the LCAP and Budget.

Adopted Budget Concerns driving Conditional Approval:

- Since June 2023, OUSD has been intentional about increasing compensation to employees. The District's public disclosures of these collective bargaining agreements acknowledge that the District cannot cover the ongoing cost of these obligations without significant budget adjustments that *still* remain unidentified;
- The Adopted Budget indicates over \$87M in budget cuts or alternative solutions requiring board action in the coming months to balance the budget for 2025-26;
- Major strategic planning is underway to address long-deferred decisions that, as a result of depleting its reserves, now require urgent action. Comprehensive strategic plans, inclusive of Fiscal Sustainability Plan and the Re-envision, Redesign, and Restructure (3Rs) resolution require alignment, cohesion, and continuity to successfully implement a multi-year plan;
- Inaction to implement the budget solutions for 2025-26 is not an option. Inaction would eventually result in the District's inability to meet payroll obligations, compelling intervention in the form of designating OUSD as a lack of going concern or, worse, running the risk of requiring an emergency State loan – erasing all of the growth and progress made to be more fiscally independent over the past two decades; and
- Staff and Board actions over the next six months will determine whether the District can fully exit State receivership and Trustee oversight or alternatively revert back to full Administrator control as was experienced in 2003.

The OUSD Board and Leadership Team has demonstrated its commitment to fiscal solvency by approving several recent resolutions regarding restructuring, paying off the state loan, and ensuring fiscal stability and release from receivership. To exit receivership and Trustee oversight, OUSD is on track to, and will need to (EC 41320.1):

- Make the final two payments of the 2006 State emergency loan (Scheduled for June 2026),
- Complete a fiscal systems audit (In-progress), and
- Demonstrate the future compliance of the fiscal plan approved by the board is probable. (2025-26 Budget Development Process).

Actions needed to address Conditional Approval (EC 42127):

1. By September 30, 2024, OUSD Staff will provide the OUSD Board, the Fiscal Trustee, and ACOE with a target amount for budget adjustments for 2025-26 that reflects the updated fund balances as a result of the 2023-24 Unaudited Actuals, covers the existing shortfall, and any new or planned commitments not factored into the Adopted Budget; and
2. By October 8, 2024, OUSD Staff will provide the Fiscal Trustee and ACOE with a cohesive and aligned strategic plan to address the target amount for budget adjustments with a date scheduled for a Board study-session to review and discuss the cohesive scenarios for budget adjustments.
3. By October 31, 2024, the OUSD Board will provide staff with direction on which budget adjustment scenario(s) to pursue that address the target amount for budget adjustments, which will return to the Board for further action.
4. By November 8, 2024, ACOE will conduct a review of all the items listed above and will make a final determination regarding the Adopted Budget in accordance with statute.
5. Ongoing on a bi-weekly basis,
 - a. OUSD Staff will meet with the Fiscal Trustee and ACOE to provide updates, incorporating any committee work and Board Member report-outs that are reflective of the cohesive and aligned strategic plan; and
 - b. ACOE will meet with the Fiscal Trustee, OUSD's Superintendent, and the OUSD Leadership team, to review and support OUSD's cohesive alignment between OUSD Leadership, the OUSD Board, and the community.

Note that the above actions in September, October, and November are critical to resolve the conditional approval, but do not complete the budget balancing process. OUSD Board and Staff must continue to take budget balancing actions as part of the 2025-26 budget development process. Additional actions that need to be taken, ideally in November and December 2024 (by the current Board that approved the increases in compensation since June 2023), but no later than February 2025 (which will involve new Board members just being seated) include, but are not limited to:

1. By November 30, 2024, the OUSD Board will take action on a budget balancing scenario to address the target amount for the 2025-26 budget adjustments.
2. By December 15, 2024,
 - a. The OUSD Board will take action, or set of actions, to implement the budget balancing solutions as part of the 2025-26 budget.
 - b. Approve the 2024-25 First Interim Financial Report factoring in target amount for budget adjustments that will be approved or risk receiving a Negative Certification.
 - i. A negative certification is assigned when a district will be unable to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year.

Budget Detail: The attached Budget Review provides a detailed fiscal summary and analysis highlighting areas that will need to be addressed going forward. ACOE District Business & Advisory Services Team will continue to work with the District's budget team to ensure that the District takes all necessary actions to remain fiscally healthy.

LCAP Detail: The current year's LCAP has been approved, and no further action is needed at this time. ACOE staff will issue a LCAP technical memo to District staff and continue working with District leadership to incorporate the necessary changes into the 2025-26 LCAP.

In these critical months ahead, we recognize the difficult decisions you face and see the hard work you're putting in. We have complete faith in this Board and Staff, and we stand with you in partnership—please don't hesitate to reach out if you need anything at all.

In community,



Alysse Castro
Alameda County Superintendent of Schools

cc: Lisa Grant-Dawson, Chief Business Official, Oakland USD
Tony Thurmond, State Superintendent of Public Instruction, CDE
Michael H. Fine, Fiscal Crisis and Management Assistance Team
Luz T. Cázares, Fiscal Oversight Trustee
Allan Garde, Associate Superintendent of Business Services, ACOE
Shirene Moreira, Chief of District Business & Advisory Services, ACOE
Juwon Lam, Chief of Accountability Partnerships, ACOE
Joan Laursen, Director III, District Business & Advisory Services, ACOE

2024-25 Adopted Budget Review Oakland Unified School District

Summary of Fiscal Concerns:

- The Adopted Budget indicates over \$87M in budget cuts or alternative solutions requiring board action in the coming months to balance the budget for 2025-26.
- These unspecified future reductions will require additional board action, without which the District will not meet its financial obligations in 2025-26.
- Staff and Board actions over the next six months will determine whether the District can fully exit State receivership and Trustee oversight or alternatively revert back to full Administrator control as was experienced in 2003.
- Forecasts assume enrollment projections inconsistent with the District's historical trend.

Reserve for Economic Uncertainties (REU)

Districts the size of OUSD are required to meet 3% minimum required reserves for each year through 2026-27. The District is unable to meet their REU in 2026-27, even with the projected budget reductions.

RESERVES	2024-25	2025-26	2026-27
OUSD's Reserves in Adopted Budget - Source: MYP	\$26,111,129	\$26,610,760	\$21,301,877
Is REU Met or Not Met in Submitted Financial Report?	Met	Met *	Not Met
<i>*District is only able to meet REU with board implemented reductions of \$82.7 Million.</i>			

Revenue Projections:

Description: OUSD's revenue projections appear overstated due to the District's enrollment projections that deviate from the District's declining enrollment trend. The District should be prepared with contingency plans should the enrollment and funding not materialize as projected.

LCFF Revenue Projections	2024-25	2025-26	2026-27
OUSD's Unrestricted LCFF Revenue (MYP) - flat enrollment projections	\$ 477,734,448	\$ 484,732,772	\$ 500,626,720
ACOE's Estimates - based on 1% enrollment decline per year	\$ 477,553,941	\$ 483,795,227	\$ 498,360,272
LCFF Revenue Projections - Difference (District vs ACOE)	\$ (180,507)	\$ (937,545)	\$ (2,266,448)

Enrollment Projections:

Description: The District has been experiencing declining enrollment since 2017-18, with a five-year average annual decline of 1.36%. The chart below illustrates the enrollment projections according to the District's LCFF Calculator, as compared to ACOE's analysis.

CALPADS	2024-25	2025-26	2026-27
OUSD Projections within the District's Adopted Budget Report	33,753	33,533	33,313
OUSD Year-Over-Year Difference	(82) **	(220)	(220)
ACOE Estimates - projected 1% annual enrollment decrease	33,497	33,162	32,830
ACOE Estimates - Year-Over-Year Difference	(338) **	(335)	(332)
<i>** compared to 2023-24 enrollment of 33,835</i>			

Required Board Action:

Description: On February 28, 2024, the Board approved Resolution 2324-0137 "Proposed Budget Adjustments for Fiscal Year 2024-25 and Restructuring Recommendations for 2025-26." In addition, the Board took the first steps to implement those adjustments by approving:

- * Resolution 2324-0118 Classified Reduction in Force Due to Lack of Funds and/or Lack of Work, and
- * Resolution 2324-0121 Eliminate Certificated Positions due to a Reduction in Particular Kinds of Service.

These resolutions authorized preliminary layoff notices resulting in net reductions of approximately 185 full-time equivalent (FTE) positions for 2024-25.

On June 26, 2024, by approving Resolutions 2324-0191 and 2324-0192, the Board amended these reductions resulting in a net restoration of 82.3FTE.

Based on the District's board-approved financials, the District will need to identify and *implement* ongoing budget adjustments of \$83.7 million to address the District's structural deficit, and to ensure the District meets its minimum required state reserve levels in the subsequent fiscal years.

Required Board Action - Structural Deficit Budget Reductions and/or Revenue	2024-25	2025-26	2026-27
OUSD's Unrestricted Reductions - Source: MYP		\$ (82,664,041)	\$ (90,516,303)
OUSD's Restricted Reductions - Source: MYP *		\$ (1,053,648)	\$ (8,647,900)
Total Needed Budget Reductions/Adjustments in Submitted Report		\$ (83,717,689)	\$ (99,164,203)

** includes \$5.6 million in negative restricted ending fund balance in 2026-27*

District's Deficit Spending & Impact to the Unrestricted General Fund Balance & REU:

Description: OUSD's 2024-25 Adopted Budget MYP projects continued deficit spending in the Unrestricted General Fund of \$78.5 million, \$4.3 million, and \$5.3 million in 2023-24, 2024-25, and 2025-26, respectively, even with the proposed unspecified reductions. The Unrestricted General Fund Ending Balance is projected to decrease from \$118.4 million at 2022-23 Unaudited Actuals to \$27.4 million in 2026-27, assuming the District is able to make the significant reductions projected in the MYP.

Adopted Budget Report - Unrestricted Budget Adjustments	2024-25	2025-26	2026-27
Unrestricted Unspecified B10 Reductions	\$ -	\$ (82,664,041)	\$ (90,516,303)
Unrestricted General Fund - Beginning Balance	\$ 109,892,045	\$ 31,357,276	\$ 27,040,706
Unrestricted General Fund - Surplus / (Deficit)	\$ (78,534,769)	\$ (4,316,570)	\$ (5,308,883)
Unrestricted General Fund - Ending Balance	\$ 31,357,276	\$ 27,040,706	\$ 21,731,823

* 2025-26 total budget adjustments of \$87 million factors in the Unrestricted Unspecified B10 Reductions for 2025-26 and the deficit. ** 2026-27 includes the impact to the Unrestricted General Fund to cover negative Restricted Resources of \$5.6 million

Should the District not implement budget balancing solutions	2024-25	2025-26	2026-27
Unrestricted General Fund - Ending Balance	\$ 31,357,276	\$ 27,040,706	\$ 21,731,823
Unrestricted Reductions *	\$ -	\$ 82,664,041	\$ 173,180,344
Unrestricted General Fund - Adjusted Ending Balance	\$ 31,357,276	\$ (55,623,335)	\$ (151,448,521)

* If the District fails to implement the reductions, the expenditures will be added back to the budget, reducing fund balance

Impact on Reserves	2024-25	2025-26	2026-27
OUSD's Reserves - If Reductions Not Implemented	\$ 30,927,331	\$ (56,053,280)	\$ (151,878,466)
Is REU Met or Not Met if Reductions not Implemented?	Met	Not Met	Not Met

Conclusion:

ACOE understands the District is working toward the implementation of a restructuring plan. Without the successful implementation of a plan to address the District's structural deficit, the District projects it will not meet its financial obligations.