



Alameda County Office of Education

L. Karen Monroe Superintendent of Schools

February 12, 2020

Jody London, President
Board of Education
Oakland Unified School District
1000 Broadway, Suite 680
Oakland, CA 94607

RE: 2019-20 First Interim Budget Report

Dear President ^{Jody}London:

The Oakland Unified School District (OUSD) filed a QUALIFIED certification of its 2019-20 First Interim Budget Report with the Alameda County Office of Education (ACOE). In accordance with Education Code (EC) Section 42131, ACOE reviewed the First 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 First Interim Budget Report approved by OUSD's Governing Board on December 11, 2019 accurately reflects the financial status of the District. ACOE therefore concurs with the District's QUALIFIED certification with the comments outlined below.

Local Control Funding Formula Revenue

OUSD projects conservative enrollment figures for fiscal year 2019-20 and beyond. However, the District's First Interim Budget Report projects average daily attendance (ADA) that exceeds OUSD's historical average. ACOE's review determined the District's Local Control Funding Formula (LCFF) revenue may be significantly reduced from the amounts reported in OUSD's First Interim Budget Report.

Subsequent to OUSD's approval of its First Interim Budget report, Governor Newsom has presented a state budget proposal for the fiscal year 2020-21. The Governor proposed a lower Cost of Living Adjustment (COLA) for 2020-21 and 2021-22, compared to what was projected in June 2019. This proposed reduction to the COLA rates will negatively impact OUSD's budget in the subsequent two (2) years, and will require the District to identify and implement additional budget balancing solutions to maintain the minimum required reserve.

Multi-Year Budget Projections

The District's Multiyear Budget Projection (MYP) includes unidentified ongoing expenditure reductions of \$15.5 million and \$10.5 million in fiscal years 2020-21 and 2021-22, respectively. OUSD is projected to deficit spend in its Unrestricted General Fund by \$5.4 million in 2019-20 and \$1.6 million in 2020-21. These projected budget deficits are in addition to the above-mentioned expenditure reductions. While ACOE understands the District is currently developing a plan to be voted on at its upcoming February 26 or March 11, 2020 Board meeting, the expenditure reductions outlined in the District's First Interim Budget Report do not appear sufficient based on the District's potential overstatement of LCFF revenue, and the recent changes to the Governor's budget proposal for education.

Debt Issuance

We would like to remind the District of the statutory requirements for debt issuance for school districts with qualified or negative interim budget 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 EC Section 17150.1 and Assembly Bill (AB) 2197.

Collective Bargaining

We remind the District of the requirements of Government Code (GC) Section 3547.5 and AB 1200 (Statutes of 1991, Chapter 1213) on the public disclosure of collective bargaining agreements, that as a school districts with qualified or negative interim budget report certifications in the current or prior year, OUSD is required to provide ACOE with an analysis of the cost of any collective bargaining agreement and its fiscal impact on the operating budget, at least 10 working days prior to the date the District Governing Board takes action on the tentative agreement.

Conclusion

ACOE understands the OUSD staff will identify expenditure reductions and other budget balancing solutions, and will be presented to the Board for action in the February or March Board meeting. ACOE requests a list of all identified and approved expenditure reductions and other budget balancing solutions to be included in the District's Second Interim Budget report, which is due to ACOE on or before March 16, 2020.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'L. Karen Monroe', with a stylized flourish at the end.

L. Karen Monroe
Alameda County Superintendent of Schools

cc: Board of Education, Oakland USD
Kyla Johnson-Trammell, Ed.D., Superintendent, Oakland USD
Preston Thomas, Chief Systems and Service Officer, Oakland USD
Luz Cazares, Interim Chief Financial Officer, Oakland USD
Tony Thurmond, State Superintendent of Public Instruction, CDE
Michael Fine, Chief Executive Officer, FCMAT
Christopher Learned, Fiscal Oversight Trustee
Raul A. Parungao, Associate Superintendent of Business Services, ACOE
Teresa Santamaria, Chief of District & Business Advisory Services, ACOE
Shirene Moreira, Director II, District & Advisory Services, ACOE