



CSIS California School Information Services

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April 24, 2019

Honorable Keely Bosler, Director  
Jeff Bell, Program Budget Manager  
Jessica Holmes, Assistant Program Budget Manager  
California Department of Finance  
915 L Street  
Sacramento, CA 95814

Honorable Phil Ting, Chair  
California State Assembly Committee on Budget  
State Capitol, Room 6026  
Sacramento, CA 95814

Honorable Holly J. Mitchell, Chair  
California State Senate Committee on Budget and Fiscal Review  
State Capitol, Room 5019  
Sacramento, CA 95814

Dear Director Bosler, Chairperson Mitchell and Committee Members, and Chairperson Ting and Committee Members:

This letter is submitted for your consideration in accordance with FCMAT's responsibilities under Assembly Bill 1840 with regard to the Oakland Unified School District (Oakland USD). The intent of the letter is to provide an update of events that have occurred since the letter dated March 1, 2019.

As noted in the March 1 letter, the Oakland USD reached a tentative agreement with the Oakland Education Association. This update will include any board activity since March 1, an evaluation of the tentative agreement with Oakland Education Association as well as a status of negotiations with other units, board actions taken since March 1, 2019, a general fund analysis, and discussion about calculation of multiyear projections included with this update.

Please note that Exhibits A through I are available on the FCMAT website, and hyperlinks to each exhibit are provided in this letter.

## **Tentative Agreement with Oakland Education Association**

On February 28, 2019, Oakland USD reached a tentative agreement with the Oakland Education Association.

### **FCMAT**

Michael H. Fine, Chief Executive Officer

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Administrative Agent: Mary C. Barlow - Office of Kern County Superintendent of Schools

The settlement was reached with the following salary increases by year with specific implementation dates: a one-time 3% increase in salary for the 2017-18 school year, paid in 2019-20; ongoing increases in salary including 3% on January 1, 2019 (retroactive); 2% on January 1, 2020; 3.5% on January 1, 2021; and 2.5% on June 30, 2021 (effective fiscal year 2021-22).

Costs of the salary increases per the settlement for each year are calculated as follows:

<b><i>Oakland USD Settlement with OEA (effective percentages based on increase dates)</i></b>					
2017-18 (to be paid in 2019-20)	3.00%	off salary schedule			
2018-19	1.50%	on salary schedule			
2019-20	2.50%	on salary schedule			
2020-21	2.75%	on salary schedule			
2021-22	4.25%	on salary schedule			
	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>Cumulative</b>
Ongoing Salary Increases	\$2,378,995	\$4,012,572	\$4,549,512	\$7,227,352	\$18,168,432
Prior Year Increase		\$2,378,995	\$6,391,567	\$10,941,079	\$19,711,641
One-Time Salary Increase		\$4,757,991			\$4,757,991
Overage/Class Size		\$350,000	\$350,000	\$350,000	\$1,050,000
Other Compensation Costs (Articles)					
Newcomer		\$120,000	\$120,000	\$120,000	\$360,000
Nurses			\$315,262	\$747,422	\$1,062,684
Speech Therapists			\$562,683	\$599,901	\$1,162,584
Psychologists			\$345,000	\$345,000	\$690,000
Resource Specialists			\$522,527	\$696,270	\$1,218,797
Counselors			\$849,689	\$903,856	\$1,753,545
Extra Pay	\$154,848	\$159,842	\$159,842	\$159,842	\$634,374
Substitutes	\$515,098	\$533,253	\$548,118	\$558,430	\$2,154,899
Total Other Compensation	\$669,946	\$1,163,095	\$3,773,121	\$4,480,721	\$10,086,883
Total Salary and Other Compensation Increase Due to Settlement	\$3,048,941	\$12,312,653	\$14,714,200	\$22,649,152	\$52,724,947
Step and Column Increase	\$35,685	\$60,189	\$68,243	\$108,410	\$272,526
Statutory Benefits	\$733,524	\$3,776,470	\$2,231,973	\$3,143,185	\$9,885,152
<b>Grand Total, Salary and Benefit Increase with Salary Settlement Applied</b>	<b>\$3,818,151</b>	<b>\$16,149,312</b>	<b>\$17,014,415</b>	<b>\$25,900,747</b>	<b>\$62,882,625</b>

## Public Disclosure Requirements

Per Government Code Sections 3540.2 and 3543.2, a school district with a qualified or negative certification pursuant to Education Code Section 42131 must allow the county office of education at least 10 working days to review and comment on any proposed agreement between the exclusive representative and the public school employer before it is ratified. The county superintendent of schools has those 10 days to comment on the agreement if, in his or her opinion, the agreement will endanger the fiscal well-being of the district, but may not prevent the local board from ratifying the agreement.

On April 4, 2019, Oakland USD provided Alameda County Office of Education (Alameda COE) with public disclosure documents required to be submitted in advance of the board ratifying a salary settlement. [Exhibit A] <http://fcmat.org/wp-content/uploads/sites/4/2019/04/Exhibit-A-OUSD-AB1200-for-OEA-Fund-01.pdf> In response to those disclosure documents, on April 15, 2019, Alameda COE issued a letter that stated, “Based on a Multi-Year Projection that incorporates the costs of only the OUSD-OEA tentative agreement (and does not include increased compensation for all employee groups) and the \$21,750,000 of expenditure reductions and revenue enhancements approved by the OUSD Board of Education, OUSD may be able to maintain the state’s 2.00% minimum reserve requirement through Fiscal Year 2021-22. However, ACOE’s review of the OUSD Second Interim Report, that included projected costs of increases in compensation for *all* employees, indicates that OUSD will not meet the OUSD Board of Education minimum reserve requirement of 3.00% and will not meet the state’s minimum reserve requirement of 2.00% in fiscal year 2018-19.” Alameda COE letters to the district regarding the OEA settlement [Exhibit B] <http://fcmat.org/wp-content/uploads/sites/4/2019/04/Exhibit-B-ACOE-letter-re-Public-Disclosure-of-Collective-Bargaining-Agreement.pdf> and the second interim report [Exhibit C] <http://fcmat.org/wp-content/uploads/sites/4/2019/04/Exhibit-C-ACOE-letter-re-2nd-Interim.pdf> are provided for review.

The Oakland USD board meeting agenda for April 24, 2019, includes an agenda item to ratify the OEA settlement agreement.

Oakland USD has a trustee in place, and the trustee has the authority to stay or rescind any board approval of an agreement that is inconsistent with the district’s fiscal recovery plan.

## Tentative Agreement with SEIU

On March 27, 2019, Oakland USD reached a tentative agreement with the Service Employees International Union Local 1021.

The settlement was reached with the following salary increases by year with specific implementation dates: a 3% one-time increase in salary for the 2018-19 school year, effective January 1, 2019; ongoing increases in salary including 3% on January 1, 2019 (retroactive); 2% on January 1, 2020. The agreement also includes an increase in longevity compensation for employees with 40 years with the district. Exhibit D <http://fcmat.org/wp-content/uploads/sites/4/2019/04/Exhibit-D-SEIU-TA.pdf> is a copy of the tentative agreement. Public disclosure documents have not been prepared or delivered to the Alameda COE at this time.

Cost of the salary increases due to the settlement are calculated as follows:

<i>OUSD settlement with SEIU (effective percentages based on increase dates)</i>				
2017-18 (to be paid in 2019-20)	3.00%	off salary schedule		
2018-19	1.50%	on salary schedule		
2019-20	2.50%	on salary schedule		
2020-21	1.00%	on salary schedule with reopener		

<i>OUSD settlement with SEIU (effective percentages based on increase dates)</i>				
	2018-19	2019-20	2020-21	Cumulative
Ongoing Salary Increases	\$453,267	\$311,243	not settled	\$764,510
One-Time Salary Increase	\$-	\$453,267	not settled	\$453,267
Step and Column Increase	\$3,943	\$ 6,651	not settled	\$10,594
Statutory Benefits	\$145,219	\$ 266,050	not settled	\$411,269
Total, Salary and Benefit Increase Due to Settlement	\$602,429	\$1,037,211	not settled	\$1,639,640

## Board Actions Taken Since March 1, 2019

### Resolution to Commit to \$21.75 Million in Budget Reductions

On March 4, 2019, the Oakland USD board adopted resolution 1819-0144 to approve budget reductions totaling \$21.75 million. The resolution identifies areas and number of full-time equivalent positions (FTE) where reductions are to be made. Below is an excerpt from district materials showing the breakdown. Exhibit E, a copy of the resolution, is available here: <http://fcmat.org/wp-content/uploads/sites/4/2019/04/Exhibit-E-Resolution1819-0144.pdf>. No layoff notices have been issued to employees to realize the personnel savings.

Category	Reduction
<b>Central Administration</b>	\$11.93M (20% reduction) Reduce or reallocate funding 90.23 FTE
<b>Central Services to School Sites</b>	\$3.75M (4% reduction) Reduce or reallocate funding 57.8 FTE
<b>School Sites (Discretionary Funds)</b>	\$3M (1.3% reduction) Reductions were based on a per pupil ratio
<b>Contracts &amp; Max. Restricted Funds</b>	\$1.47M \$.4M in contracts, \$1.07M in maximizing restricted funds
<b>Operational Savings</b>	\$1.6M
<b>Total</b>	<b>\$21.75M</b>

## Second Interim Report

The Oakland USD board approved the second interim report on March 13, 2019, with a positive certification. The second interim includes the costs of settlements across all bargaining units and accounts for full implementation of the \$21.75 million in budget reductions.

On April 15, 2019, the Alameda COE responded to the district's second interim report by changing the certification from positive to qualified. The certification letter addressed concerns with the district calculation of ADA (based on changes from prior year), vacation balances payable associated with classified

layoffs, and the district's potential inability to meet the minimum state reserve of 2% in the 2018-19 year.

Due to lack of clarity regarding how the budget reductions and salary increases were calculated and applied to the second interim report, as well as the concerns raised by the Alameda COE, utilizing the district's second interim report to provide an updated deficit for purposes of AB 1840 would not yield an accurate result. Further discussion regarding deficit calculation follows in the conclusion of this document.

## **Resolution to Reduce Classified Positions**

At the March 13, 2019 board meeting, along with the second interim report, the district approved resolution 1819-0098 to reduce 257.6 FTE classified positions. Calculated cost savings was not included as part of the resolution or supporting documentation. The FTEs identified in the chart above associated to budget reductions approved on board resolution 1819-0144 total 148.03. [Exhibit F] <http://fcmat.org/wp-content/uploads/sites/4/2019/04/Exhibit-F-Resolution-1819-0098.pdf>

## **Adopting the Citywide Plan**

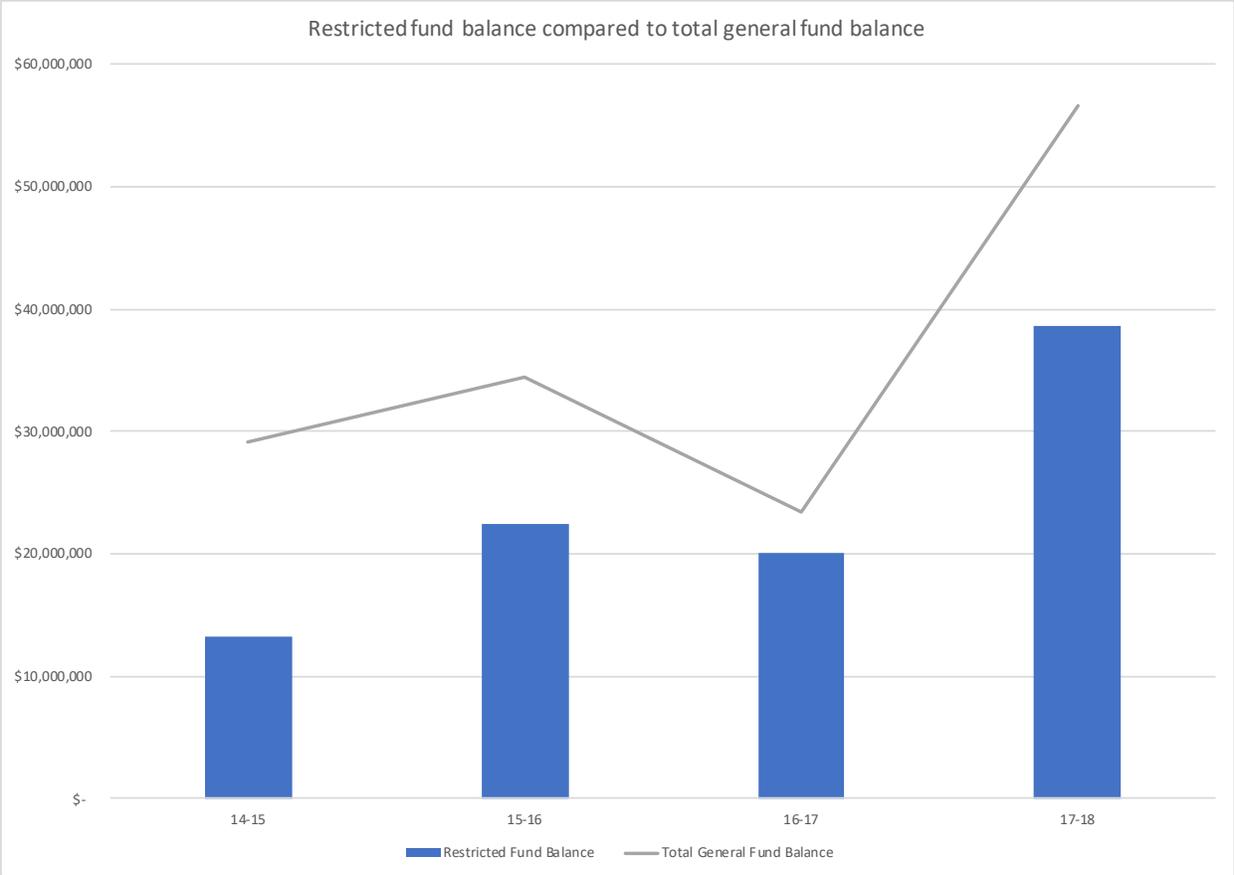
As noted in the March 1, 2019 letter, the Oakland USD board was expected to adopt the Citywide Plan for district facilities on February 27, 2019, but was unable to do so due to cancellation of the board meeting. Exhibit G, the Citywide Plan, was adopted with resolution 1819-0150 on March 20, 2019 <http://fcmat.org/wp-content/uploads/sites/4/2019/04/Exhibit-G-Resolution-1819-0150-Citywide-Plan.pdf>. If the board ratifies the OEA collective bargaining unit agreement there will be a six-month moratorium on school closures, which may impact actions that would have been taken as part of the Citywide Plan and potentially eliminate or delay associated cost savings in the near term.

## **Resolution to Amend the Classified Layoff List**

An amendment to resolution 1819-0098 was presented and approved by the Oakland USD board on April 10, 2019. This amendment eliminates an additional net 8.48 FTE positions. Detail is shown in Exhibit H <http://fcmat.org/wp-content/uploads/sites/4/2019/04/Exhibit-H-Amended-resolution-1819-0098A.pdf>.

## **General Fund Analysis**

At the beginning of the 2018-19 fiscal year, Oakland USD reported \$56.6 million in the combined general fund: \$38.6 million restricted and \$18 million unrestricted fund balance. Given that the ratio of restricted to unrestricted fund balance is higher than typical districts across the state, a restricted fund balance analysis was performed. (Please see next page.)



The composition of the restricted fund balance can be narrowed to four main areas: LEA Medi-Cal, Restricted Lottery, Routine Restricted Maintenance and Other Local, which primarily consists of parcel taxes.

<b><i>Restricted Balance Composition*</i></b>			
<b>Program Name</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
LEA Medi-CAL	\$713,963	\$70,064	\$370,760
Restricted Lottery	\$ 809,904	\$ -	\$533,818
Restricted Routine Maintenance	\$ -	\$ -	\$4,206,579
Other Local (Primarily parcel tax)	\$14,115,537	\$16,596,744	\$26,730,058
	<b>\$15,639,404</b>	<b>\$16,966,808</b>	<b>\$31,841,215</b>

\*These four programs account for 70% or more of the restricted balance in the years shown.

Based on this analysis, it appears that the high ratio of fund balance can be attributed to the growing restricted fund balance due to the district’s accumulation of parcel tax in a restricted resource. The district has discussed spending down this balance over the next several years. Such spending creates the appearance of an operating deficit in the restricted general fund.

## Multiyear Projections

Two multiyear projections are included with this update. The first reflects the financial status of the district with the OEA settlement only. The second reflects the financial status of the district with the same terms of settlement applied against all bargaining units. Both projections include the board-approved \$21.75 million in budget reductions for 2019-20, 2020-21 and 2021-2022. Please see Exhibit I.

<http://fcmat.org/wp-content/uploads/sites/4/2019/04/Exhibit-I-MYP-with-settlements.pdf>

Below are comments related to the assumptions made in the multiyear projection:

1. While there have been resolutions to eliminate positions, employees have not been noticed and a final savings amount has not been calculated by the district as a result.
2. Eliminating over 250 positions has necessitated a redesign of the organizational structure (considering seniority). The restructure is still being designed, which has stalled the process of quantifying the savings.
3. It is estimated that over \$1 million in accrued vacation balances will be paid due to positions being eliminated in the 2018-19 fiscal year; the district has not yet fully calculated this liability, which will partially offset planned savings.
4. Outcome of negotiations with other units is pending.
5. Tentative agreement exists for SEIU, but the district has not submitted a public disclosure document to Alameda COE.

Of note is that the district's chief business official departed the district effective April 4, 2019. The district will address the replacement of this position as part of the restructuring efforts currently underway.

## Conclusion

In accordance with Education Code Section 42160, FCMAT has determined that the school district's 2019-20 projected deficit is as follows, with the caveat that several unknowns still exist (i.e., status of negotiations, true cost savings and implementation of positions to be eliminated):

<i>OEA Settlement Only</i>						
Fiscal Year	2018-19			2019-20		
	unrestricted	restricted	combined	unrestricted	restricted	combined
Projected Deficit	(\$2,490,363)	\$9,253,902	\$6,763,540	\$9,641,967	\$56,050	\$9,698,023
COE Additional Support/ Intervention			(\$1,427,588)			(\$1,204,400)
Projected Revised Surplus/Deficit			\$5,335,952			\$8,493,623
<i>Settlement Across All Units</i>						
Fiscal Year	2018-19			2019-20		
	unrestricted	restricted	combined	unrestricted	restricted	combined
Projected Deficit	(\$3,943,094)	\$8,495,476	\$4,552,381	\$4,060,555	(\$3,541,618)	\$518,936
COE Intensive Support/ Intervention			(\$1,427,588)			(\$1,204,400)
Projected Revised Surplus/Deficit			\$3,124,793			(\$685,464)

As all groups conclude collective bargaining and cost savings and increases become clear, an updated report will be provided.

Sincerely,

A handwritten signature in black ink, appearing to read "Tami Ethier". The signature is fluid and cursive, with a prominent "T" and "E".

Tami Ethier  
Intervention Specialist

- C: L. Karen Monroe, Alameda County Superintendent of Schools  
Karen Stapf-Walters, Executive Director, California State Board of Education  
Nick Schweizer, Deputy Superintendent, California Department of Education  
Chris Learned, State Trustee, Oakland Unified School District  
Gary Jones, Interim Associate Superintendent, Alameda County Office of Education  
Dr. Kyla Johnson-Trammell, Superintendent, Oakland USD