



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