



Alameda County Office of Education

L. Karen Monroe
Superintendent

October 25, 2019

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Mia Bonta, President
Board of Education
Alameda Unified School District
2060 Challenger Drive
Alameda, CA 94501

RE: Disclosure of Collective Bargaining Agreements between Alameda Unified School District (AUSD or District), Alameda Education Association (AEA), California School Employees Association Chapters 860 and 27 (CSEA 860 and CSEA 27), and Executive Cabinet/Administrative/Supervisory/Confidential/Licensed & Unrepresented Employee Groups

Dear President Bonta:

We have reviewed the Public Disclosure of Collective Bargaining Agreements between AUSD and the above-mentioned bargaining units and employee groups. The agreements cover the period from July 1, 2018 to June 30, 2022. The purpose of our review is to determine whether this agreement will have a material impact on the financial condition of the District in the current and subsequent two (2) fiscal years.

The agreements represent a 2% ongoing increase retroactive to July 1, 2019 and an additional 2% ongoing increase effective January 1, 2020. This is based on the Tentative Agreement (TA) with the AEA, which will affect the other mentioned bargaining units and employee groups as a result of the "Me Too" clause that is a part of their contracts. Based on the information provided in the Public Disclosure of Collective Bargaining submitted to the Alameda County Office of Education (ACOE), it appears the District will be able to maintain the required minimum level of reserve for economic uncertainties for the 2019-20 and 2020-21 fiscal years. However, this appears uncertain for fiscal year 2021-22.

In order to help fund these agreements, we understand the District is proposing the following additional revenue enhancements and/or budget reductions as outlined in the Public Disclosure of Collective Bargaining:

- \$691,101 of additional Special Education Revenue in 2019-20
- \$2,500,000 increase in revenue for 2021-22 due to the reduction of contributions to Deferred Maintenance Fund
- \$175,000 expenditure reduction in 2019-20 related to the decrease in the Public Employee Retirement System (PERS) contribution rate from the projections at the Governor's May Revision to the June State Budget Adoption
- \$1,000,000 in on-going expenditure reductions starting in fiscal year 2020-21, which replaces the expenditure reduction totaling \$1,691,284 for 2021-22 proposed during the 2019-20 Adopted Budget reporting period.

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We also understand the fund balance in the Special Reserve Fund for Other Than Capital Outlay Projects (Fund 17) is set aside for reserves. At the 2019-20 Adopted Budget reporting period, the Fund 17 ending fund balance was projected at a total of \$8,343,996, with \$3,722,920 of this amount designated for the Reserve for Economic Uncertainties (REU), and \$4,621,076 of this amount was committed for Stabilization Arrangements. We would like to remind the District that the use of the Fund 17 ending fund balance is unsustainable over time. According to our recalculations using the information outlined in the Public Disclosure of Collective Bargaining, there is a possibility that the projected Fund 17 ending fund balance may not be enough to cover the deficit in reserves for fiscal year 2021-22. We strongly urge the District to continue monitoring the budget and consider implementing alternative and more sustainable budget balancing solutions to maintain reserves at or above the three percent (3%) minimum requirement at all times.

The District mentions in the TA with AEA the possible approval of a Parcel Tax in March 2020, which will be used solely for making employee compensation more competitive at the District. Contingent upon the voters passing this Parcel Tax, the District plans to provide an additional 1% salary schedules increase, retroactive to January 1, 2020 and an additional 8% salary schedule increase effective July 1, 2020. We are aware the District's financial picture may change if this materializes. We are also aware that additional salary negotiations will be planned for 2020-21 should the Parcel Tax not materialize. We would like to remind the District that Parcel Tax revenue may expire depending on the terms of the ballot measure, while the commitment to increase the salary schedule is ongoing. Should the term of the Parcel Tax include expiration date, implementing further budget reductions will be even more critical.

Should any additional tentative agreements be made, please submit the completed Public Disclosure documents to our office 10 days prior to the date the Governing Board taking action.

If you have any questions or concerns regarding our review, please feel free to call me at (510) 670-4140.

Sincerely,



L. Karen Monroe,
Alameda County Superintendent of Schools

cc: Board of Education, Alameda USD
Pasquale Scuderi, Superintendent, Alameda USD
Shariq Khan, Chief Business Officer, Alameda USD
Raul A. Parungao, Associate Superintendent of Business Services, ACOE
Teresa Santamaria, Chief of District & Business Advisory Services, ACOE
Natalie Cardaniuc, Director, District Advisory Services, ACOE