



## Contra Costa County Office of Education

77 Santa Barbara Road, Pleasant Hill, CA 94523 • (925) 942-3388  
Lynn Mackey, Superintendent of Schools

May 26, 2020

Robert Martinez, Ed.D., Superintendent  
Mt. Diablo Unified School District  
1936 Carlotta Drive  
Concord, CA 94519

Dear Superintendent Martinez:

The County Office has reviewed the District's tentative salary settlement disclosure with the Mt. Diablo Education Association (MDEA) bargaining unit for fiscal years 2018-19, 2019-20 and 2020-21. Based on our analysis of the disclosure documents as outlined in this letter, the proposed tentative agreement will result in an unsustainable increase in District operating expenditures.

The tentative agreement including statutory benefits calls for a 1.5 percent on-schedule salary increase effective July 1, 2018; a 2.0 percent on-schedule salary increase effective July 1, 2019; a 1.5 percent on-schedule increase effective July 1, 2020; and a 0.50 percent increase effective January 1, 2021 resulting in a cost increase of approximately \$13.1 million.

The multiyear projection submitted with the AB1200 disclosure documents reports general fund deficit spending of (\$23.5 million) in 2019-20, a deficit of (\$25.6 million) in 2020-21 and a deficit of (\$30.3 million) in 2021-22. These operating deficits reduce the Districts combined general fund balance from \$30.1 million in 2019-20 to a negative (\$13.9 million) for the 2021-22 fiscal year. This negative fund balance assumes that the District will implement \$8.0 million in ongoing budget reductions beginning in the 2019-20 fiscal year. **The projection of a negative fund balance is a serious matter which should cause a high level of concern for the Board as they consider their responsibility to maintain the fiscal solvency of the District.**

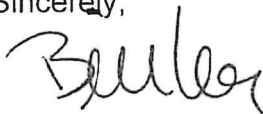
More seriously, the above analysis does not include the recently announced K12 funding reductions identified in the Governors' May Revise, which reduces K12 LCFF funding by 7.92 percent and includes significant reductions to categorical programs. These assumptions are now firmly established with the release of the May Revision and updated School Services Dartboard and will be used with the adoption of the 2020-21 District budget in June. After applying these revised budget assumptions, the District's projected deficits grow to a negative (\$47.6 million) in 2020-21 and negative (\$52.3 million) in 2021-22. These revisions would reduce the Districts combined general fund balance to a negative (\$13.6 million) and negative (\$65.9 million) for the 2020-21 and 2021-22 fiscal years respectively, **triggering a negative budget certification.**

Robert Martinez  
MDEA Settlement  
May 26, 2020  
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The AB 1200 Disclosure document includes a written statement to be certified by the district superintendent and chief business officer. The statement in part requires the signers to certify that the district's budget includes sufficient funds to support the agreed upon settlement. This has become increasingly difficult for districts with the sudden and unprecedented decline in state revenues. **Based on our analysis, the District does not have sufficient funds to support this tentative agreement.**

We wish to thank your staff for the concise and complete disclosure packet that was submitted for our review. If you have any questions, please feel free to contact me at 925-942-3418.

Sincerely,



Bill Clark, Deputy Superintendent,  
Business and Administrative Services

BC:bf

cc: Mt. Diablo Unified School District Board Trustees  
Dr. Lisa Gonzales, Chief Business Official  
Lynn Mackey, County Superintendent of Schools

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## Contra Costa County Office of Education

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77 Santa Barbara Road, Pleasant Hill, CA 94523 • (925) 942-3388  
Lynn Mackey, Superintendent of Schools

April 29, 2020

Brian Lawrence, Board President  
Mt. Diablo Unified School District  
1936 Carlotta Drive  
Concord, CA 94519

Re: Second Interim Report

Dear Mr. Lawrence:

The District submitted its 2019-20 Second Interim Report with a qualified certification. This certification states that the District may not meet its financial obligations for the current and subsequent two fiscal years. The County Office has completed its review of your District's Second Interim Report in compliance with the provisions of state law. Based on the information available at the time of our review, we agree with the District's Second Interim certification for the period ended January 31, 2020.

Your district's business staff and superintendent have worked closely with our office as they seek to prepare cost savings proposals to address the fiscal challenges faced by the District. We appreciate the efforts being made to restore the District to a positive certification of financial condition and recognize that these plans will require support from the Board of Education. We request that you continue to keep us updated on your progress, and we encourage you to reach out at any time you feel we can be of assistance to the District.

During our review we noted the following:

### **Deficit Spending**

The District projects deficit spending in the current and all subsequent fiscal years. Deficits, especially in the unrestricted general fund, reduce the available fund balance making it more difficult to respond to economic recessions and or other financial difficulties. Districts have been advised to maintain an ending reserve level well above the state minimum reserve requirement. Without sufficient ending reserves, districts often experience reductions to basic instructional programs when unexpected financial conditions arise. Districts are strongly encouraged to take steps to eliminate ongoing operating deficits while maintaining sufficient ending reserves to protect the agency from unforeseen financial hardships.

### **Deteriorating Economic Conditions**

During the last number of years, the Governor's budget has included an alternative revenue projection based on the high likelihood of an anticipated recession. The Governor's recession forecast received approval from the independent Legislative Analyst's Office which provides the state legislature with an objective evaluation of the Governor's budget proposal. These agencies anticipate revenue declines of approximately 15 percent during the recession period



which is expected to last for three years. Recent events, for example sharp declines in the stock market, the Federal Reserve lowering rates, and the financial impact of the COVID 19, along with other weakening economic indicators strongly support the assumption that the recession has arrived. Your school district should begin preparing contingency plans to respond to declining revenues and student attendance.

### **Business and Administrative Steering Committee (BASC) Budget Assumptions**

In April 2020, BASC released revised budget assumptions in response to the COVID 19 and related economic shutdown which is having a "...dramatic effect on the state general fund revenues and, by extension, K-12 local education agency financial health." Accordingly, BASC has called on districts to "...immediately begin assessing a range of potential cash flow and budgetary impacts." Specifically, BASC has called on districts to revise budget assumptions by "...utilizing the second interim report, adjusted for any current year material changes, to assess the probable impacts of the COVID-19, and at a minimum, for initial impact assessment purposes,..." districts should utilize zero cost of living adjustments (COLA) in fiscal years 2020-21 and 2021-22. **Based on these revised assumptions, please include as a minimum a zero COLA assumption for your third interim report.**

### **Collective Bargaining and Other Disclosure Requirements**

The CCCOE remains concerned about the possible financial impact of any proposed salary settlement. Our office requires that a collective bargaining disclosure form be submitted ten working days prior to board action on any proposed settlement. To be in compliance with AB 2756 (Daucher), both the district Superintendent and Chief Business Officer must sign the collective bargaining disclosure form. Districts must make any budget revisions within 45 days of approval of a collective bargaining agreement. Districts are also required to disclose non-voter approved debt and self-insured workers' compensation claims.

We wish to express our appreciation to the District staff for their cooperation during the review of the 2019-20 Second Interim Report. If our office can be of further assistance, please call me at 925-942-3418.

Sincerely,



Bill Clark, Deputy Superintendent  
Business and Administrative Services

BC:bf

CC: Robert Martinez, Ed.D., Superintendent, MDUSD  
Lynn Mackey, County Superintendent of Schools  
Lisa Gonzales, Ed.D., Chief Business Official, MDUSD



## Contra Costa County Office of Education

77 Santa Barbara Road, Pleasant Hill, CA 94523 • (925) 942-3388  
Lynn Mackey, Superintendent of Schools

March 17, 2020

Brian Lawrence, Board President  
Mt. Diablo Unified School District  
1936 Carlotta Drive  
Concord, CA 94519

Re: First Interim Report

Dear Mr. Lawrence:

The District submitted its 2019-20 First Interim Report with a Qualified Certification. This certification states that the District will not meet its financial obligations for the current and subsequent two fiscal years. The County Office has completed its review of your District's First Interim Report in compliance with the provisions of state law. Based on the information available at the time of our review, we agree with the District's First Interim certification for the period ended October 31, 2019.

During our review, we noted the following:

### **Interim Certification**

The District's multi-year projection includes a Qualified Certification indicating that the District may not be able to meet its financial obligations for the current or two subsequent fiscal years. The District has been working closely with our office to identify budget adjustment sufficient to return to a positive report certification. We encourage the District to continue in its efforts to eliminate operating deficits and where possible to restore ending reserves in anticipation of difficult economic conditions ahead.

### **Deficit Spending**

The District projects deficit spending in the current and or subsequent fiscal years. Deficits, especially in the unrestricted general fund, reduce the available fund balance making it more difficult to respond to economic recessions and or other financial difficulties. Districts have been advised to maintain an ending reserve level well above the state minimum reserve requirement. Without sufficient ending reserves, districts often experience reductions to basic instructional programs when unexpected financial conditions arise. Districts are strongly encouraged to take steps to eliminate ongoing operating deficits while maintaining sufficient ending reserves to protect the agency from unforeseen financial hardships.

Brian Lawrence, Board President  
MDUSD First Interim  
March 17, 2020  
page 2 of 2

### **Deteriorating Economic Conditions**

During the last number of years, the Governor's budget has included an alternative revenue projection based on the high likelihood of the anticipated recession. The Governor's recession forecast received approval from the independent Legislative Analyst's Office which provides the state legislature with an objective evaluation of the Governor's budget proposal. These agencies anticipate revenue declines of approximately 15 percent during the recession period which is expected to last for three years. Recent events, for example sharp declines in the stock market, the Federal Reserve lowering rates, and the financial impact of the coronavirus, along with other weakening economic indicators strongly support the assumption that the recession has arrived. Your school district should begin preparing contingency plans to respond to declining revenues and student attendance.

### **Collective Bargaining and Other Disclosure Requirements**

The CCCOE requests that all districts submit a collective bargaining disclosure form to our office ten working days prior to board action on a proposed settlement. To be in compliance with AB 2756 (Daucher), both the district Superintendent and Chief Business Officer must sign the collective bargaining disclosure form. Districts must make any budget revisions within 45 days of approval of a collective bargaining agreement. Districts are also required to disclose non-voter approved debt and self-insured workers' compensation claims.

We wish to express our appreciation to the District staff for their cooperation during the review of the 2019-20 First Interim Report. If our office can be of further assistance, please call me at 925-942-3418.

Sincerely,



Bill Clark, Deputy Superintendent  
Business and Administrative Services

BC:bf

cc: Robert Martinez, Superintendent, MDUSD  
Lynn Mackey, Superintendent of Schools, Contra Costa County  
Lisa Gonzales, Chief Business Officer, MDUSD

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Lisa Gonzales &lt;gonzaleslm@mdusd.net&gt;

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## AB 1200 Disclosure Requirements

4 messages

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**Bill Clark** <BClark@cccoe.k12.ca.us>

Mon, Mar 16, 2020 at 4:00 PM

To: "Lisa M. Gonzales" &lt;gonzaleslm@mdusd.org&gt;

Cc: Christine Rea &lt;CRea@cccoe.k12.ca.us&gt;, Nance Juner &lt;njuner@cccoe.k12.ca.us&gt;, Jane Lin &lt;JLin@cccoe.k12.ca.us&gt;

Hello Lisa,

Thank you for updating our office this week on the status of the district's efforts to identify sufficient budget reductions to support the 5.5 percent salary settlement tentative agreement. We anticipate receiving the District's AB 1200 disclosure in the next week. As we discussed, our office is concerned with the following:

- The reductions identified by the district do not contain specific information for approximately \$2.0 million in classified position reductions. Cuts of this magnitude do not appear achievable especially given the additional support required by classified staff to combat the recent virus outbreak.
- The District's AB 1200 disclosure is based on the Governor's January budget proposal. As you are aware, there are serious discussions underway that suggest the 2.29 percent COLA will be lower at the May revise. Recent events, for example sharp declines in the stock market, the Federal Reserve lowering rates, and the financial impact of the coronavirus, along with other weakening economic indicators strongly support the assumption that the recession has arrived. Your district should begin preparing contingency plans to respond to declining revenues and student attendance.

Based on the above, the County Office requests that your AB 1200 disclosure include specific classified position reductions and an additional adjustment list totaling \$5.0 million in contingency reductions in anticipation of declining state and federal revenues. To support you in this effort, we mutually agree with your request to assign a financial expert to the district at the expense of the County Office. This expert will support you with the identification of \$5.0 million in contingency reductions along with providing technical support at board, negotiation meetings, and other technically demanding presentations. Our contract is for a fixed amount not to exceed \$18,000.

We appreciate your efforts and the excellent progress you are making as you seek to maintain the fiscal solvency of the District. Let me know if you have any questions.

Thanks, Bill

Bill Clark  
Deputy Superintendent  
Business and Administrative Services  
Contra Costa County Office of Education  
(925) 942-3418 office  
(925) 945-1458 fax

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