



Contra Costa County Office of Education

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

December 10, 2019

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 2018-19 tentative salary settlement disclosures for the Classified School Employees Association (CSEA) bargaining unit. Based on our analysis of the disclosure documents, it appears the agreement to provide a 2% off salary schedule increase will result in a \$315,952 one-time cost to the District.

Our office has serious concerns about the fiscal condition of the District. During the last five years, the District's unrestricted ending reserve has declined from approximately \$83.5 million to a projected balance of \$17.0 million for the 2019-20 fiscal year, which constitutes a \$66.5 million or an 80 percent reduction in available reserves. At the conclusion of the 2019-20 fiscal year, the District projects a three percent ending state reserve after Board assignments, the lowest possible level permitted under state law. A three percent ending reserve is not sufficient to protect the District from unforeseen events and other contingencies that are a natural part of operating a large unified school district.

Additionally, the approved budget projects an operating deficit of \$7.2 million for the 2019-20 fiscal year. This deficit declines to \$1.0 million in the 2020-21 fiscal year based on an increase in LCFF funding, which in our opinion is unlikely to be achieved due to declining enrollment. Enrollment has declined in all of the last three years and we would expect that trend to continue with the District losing between 200 and 300 students during the next three years, resulting in a loss of approximately \$3.5 million, which would move the District to a qualified budget certification before considering any additional salary increases.

Based on the foregoing, as a condition of approval of the proposed salary settlement, our office requests the execution of a board resolution calling for the identification of \$5.0 million minimum in ongoing budget adjustments to strengthen the District's multi-year projection. These budget adjustments will be necessary, especially if other bargaining units receive similar settlements, which in and of themselves will move the District to a qualified certification at the Second Interim Report. The Board approved resolution and identified budget adjustments should be submitted to our office on or before the filing of the Second Interim Report.

With these requirements in place, the CCCOE agrees that the District will have sufficient financial resources to support the proposed settlement identified in this letter. It is our

expectation that this, and any future salary settlements, will include expenditure reductions necessary to maintain a balanced budget without structural deficits for the current and two subsequent fiscal years.

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: Joanne Durkee, Board President, MDUSD
Mika Arbelbide, Interim Fiscal Director, MDUSD
Lynn Mackey, Superintendent of Schools, Contra Costa County
Christine Rea, Director, External Business Services, CCCOE
Jenny Goodspeed, Lead District Advisor, District Business Services, CCCOE

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