

RESOLUTION 051-16/17

April 4, 2017

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Realigning Administrative Headquarters Staffing and Resources to Support Student Success

Prepared by the Division of District Operations and Facilities Services Division

EMPLOYEES, VACANT POSITIONS, BUDGET, AND CLASSIFICATION OF HQ STAFF

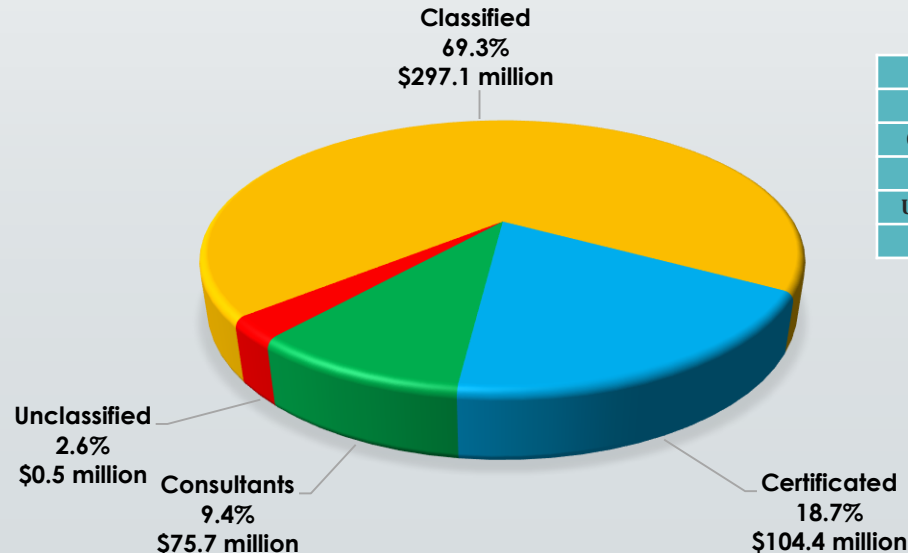
Total number of employees currently based at the District's Administrative Headquarters and total budget expenditure for those employees

- As of January 31, 2017, there were 3,718 employees based at the District's administrative headquarters building, and \$477.7 million was allocated in FY 2016-17 for those positions – 3.5% of the 2016-2017 total budget.

Total number of vacant positions that are allocated to the Administrative Headquarters and total budget allocated for those positions

- As of January 31, 2017, there were 434 vacant positions based at the District's administrative headquarters building, and 139 of those positions are slated to be closed June 30, 2017. The remaining 295 positions represent a budget of \$35.0 million.

DISTRICT HEADQUARTERS EMPLOYEES



Class	#	\$ million	%
Classified	2576	\$297.1	69.3%
Certificated	696	\$104.4	18.7%
Consultant	350	\$75.7	9.4%
Unclassified	96	\$0.5	2.6%
Total	3718	\$477.7	100%

CLOSURE AND REALIGNMENT OF VACANT POSITIONS

The feasibility of closing all vacant positions in the administrative headquarters and reallocating those positions and respective budgets to the local districts and school sites

The leadership of 23 divisions with employees assigned to the District's administrative headquarters were consulted. The findings are:

- ▶ As of January 31, 2017, there were
 - ▶ 434 vacant positions assigned to the District headquarters building.
 - ▶ As part of the 30% budget reduction 139 of those vacant positions are scheduled to be closed on June 30, 2017.

District leadership reported that it was not feasible to close the remaining 295 vacant positions for the following reasons:

- ▶ Many positions are funded by grants, categorical programs, bond funds, or other sources of funds that may only be used in connection with their specific program.
- ▶ Positions are vacant due to hiring freeze, not for lack of need.
- ▶ Positions are critical to support programs after 30% budget reduction.

REDUCTION AND REALLOCATION OF STAFF

The feasibility of gradually reducing and reallocating staff based in the administrative headquarters to local districts and school sites

Working with Division leaders to identify units that can be decentralized from the administrative headquarters yielded the following results:

- ▶ Approximately 1,350 staff can be reallocated from administrative headquarters to various District locations.
 - ▶ 130 staff can be relocated to Local District offices.
 - ▶ 120 staff can relocate to a new location to be determined to house Local District Central & Support Unit Central.
 - ▶ 1,100 staff can be relocated to existing District locations without necessary infrastructure such as: Soto Street, 14th & San Pedro, Pico Rivera, schools and leased facilities.

LEASING OR SELLING THE DISTRICT'S ADMINISTRATIVE HEADQUARTERS

FACTS AND CONSIDERATIONS FOR LEASING

- Restrictions on the tax-exempt status of the Certificates of Participation (COPs) debt used to finance the acquisition and improvements to the District's headquarters building limit the District to leasing 3 or fewer floors until 2022.
- After 2022, the District would have additional flexibility to vacate some or all of the space in the headquarters building and lease those spaces.

FACTS AND CONSIDERATIONS FOR SELLING

- An operational, functional, and financial analysis is necessary to determine the feasibility and considerations of selling the building. This portion of the report provides an analysis of the financial viability of a potential sale under various utilization scenarios.

Legal requirements associated with a potential sale

- The proceeds from the sale of surplus property may be used for capital outlay and cannot be used for operating expenses such as leasing or ongoing maintenance.
- In order to sell the Administrative Headquarters Building, the Board of Education would have to take an action to declare it surplus and initiate the surplus property process required under the Ed. Code.

Outstanding debt on the building

- The District has outstanding Certificates of Participation (COPs) debt on the building. Approximately \$132.4 Million in COPs remain with \$33.4 Million of interest for a total of \$165.8 Million.
- The District pays approximately \$13 Million annually towards this debt.

LEASING OR SELLING THE DISTRICT'S ADMINISTRATIVE HEADQUARTERS

SCENARIOS

Scenario A

- ▶ Sell the building and the District leases back the entire building at market rent for a minimum of 10 years.
- ▶ The appraised value of the building is approximately \$385 Million, an additional 2% in closing costs and commissions would reduce sale proceeds to roughly \$378 Million.
- ▶ Pay-off the remaining COPs debt of \$166 Million. Further reducing the net proceeds to **\$212** Million.
- ▶ The annual lease cost is estimated at \$32 Million which equates to a lease cost of **\$320** Million over ten years.
- ▶ The General Fund impact of exercising Scenario A would be **-\$108** Million.

LEASING OR SELLING THE DISTRICT'S ADMINISTRATIVE HEADQUARTERS

Scenario B

- Sell the building and the District leases back all but 17 of the 20 floors at market rent for a minimum of 10 years.
- The appraised value of the building is approximately \$325 Million, an additional 2% closing costs and commissions would reduce the sale proceeds to roughly \$319 Million.
- Pay-off the remaining COPs debt of \$166 Million. Further reducing the net proceeds to **\$153** Million.
- The annual lease cost is estimated at \$29 Million which equates to a lease cost of **\$290** Million over ten years.
- The costs to decentralize 3 of the 20 floors of staff and operations to one or more locations throughout the District will be approximately **\$45 – \$55** Million. This relocation effort will require 3 – 4 years to complete.
- The General Fund impact of exercising Scenario B would be between **-\$182** and **-\$192** Million.

LEASING OR SELLING THE DISTRICT'S ADMINISTRATIVE HEADQUARTERS

Scenario C

- ▶ Sell building and the District vacates the entire building at the close of escrow.
- ▶ The appraised value of the building is approximately \$199 Million, an additional 2% in closing costs and commissions would reduce sale proceeds to roughly \$195 Million.
- ▶ Pay-off the remaining COPs debt of \$166 Million. Further reducing the net proceeds to **\$29** Million.
- ▶ The costs to decentralize the entire HQ staff and operations will be approximately **\$350 – \$400** Million. This effort will require 5 – 7 years to complete.
- ▶ The General Fund impact of exercising Scenario C would be between **-\$321** and **-\$371** Million. Further, upon close of escrow the District will have 3,718 staff with no office space to house them until alternative sites could be identified and prepared.

CONCLUSION

BACKGROUND

Resolution 051-16/17 references the 2015 Report of the Independent Financial Review Panel, which compares District enrollments and other vital statistics between the 2007-08 and 2013-14 school years. During the time period studied by the Independent Financial Review Panel:

- ▶ The District decreased the number of employees per enrolled student by over 20%.
- ▶ Increased the LAUSD graduation rate.
- ▶ The District has implemented new programs and services since the 2007-08 school year which require additional staff and resources to provide.

YEAR	ENROLLMENT	EMPLOYEES	STUDENT-EMPLOYEE RATIO	LAUSD GRADUATION RATE
2007-08	653,215	83,967 ¹	7.8:1	48%
2013-14	567,150	60,139	9.4:1	77%
2016-17	557,632	60,191 ⁴	9.3:1	N/A

^[1] 2007-08 LAUSD Fingertip Facts

^[2] 2013-14 LAUSD Fingertip Facts

^[3] 2014-15 LAUSD Fingertip Facts

^[4] 2016-17 LAUSD Fingertip Facts

FINDINGS

- Division leadership reported that it is not feasible to reallocate additional vacant or filled positions to the Local Districts or schools.
- Staff's finding is that there would be no financial benefit to selling the District's administrative headquarters building at this time.

RECOMMENDATIONS

- The requirements of the COPs funding used to purchase the District's administrative headquarters limits the ability of the District to lease out space until 2022. Staff will explore the financial feasibility to exercise available options.
- After 2022, the District will have greater flexibility and will continue to explore additional opportunities.
- Staff recommend implementation of a program to decentralize those employees currently assigned to the District's administrative headquarters who could more effectively serve in Local District offices or school sites when beneficial to the District.
- By decentralizing services that involve interaction with parents, students, and the local community, the District can increase the availability and effectiveness of services.