March 2, 2020

Honorable Keely Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Honorable Phil Ting, Chair
California State Assembly Committee on Budget
State Capitol, Room 6026
Sacramento, CA 95814

Honorable Holly J. Mitchell, Chair
California State Senate Committee on Budget and Fiscal Review
State Capitol, Room 5019
Sacramento, CA 95814

Dear Director Bosler, Chairperson Mitchell and Committee Members, and Chairperson Ting and Committee Members:

This letter is submitted for your consideration in accordance with the Fiscal Crisis and Management Assistance Team's (FCMAT's) responsibilities under Assembly Bill 1840 (Chapter 426/2018) (AB 1840) with regard to the Inglewood Unified School District (district).

Background

AB1840

Assembly Bill 1840 passed the legislature on August 31, 2018 as a budget trailer bill and became effective on September 17, 2018. Among other provisions, AB 1840 provides for several changes in the oversight of fiscally distressed districts and establishes specific requirements for the district in exchange for providing financial resources under certain circumstances. This letter is provided in accordance with Education Code Section 42161(d) as established by AB 1840 and outlined below.

Assembly Bill 1840 changes the former state-centric system to be more consistent with the principles of local control. Several duties formerly assigned to the state Superintendent of Public Instruction (SPI) are now assigned to the county superintendent of schools, with the concurrence of the SPI and the president of the State Board of Education. Although AB 1840 does not change the definition of or criteria for fiscal insolvency, it does change the structure for administering fiscally insolvent districts once a state emergency appropriation has been made. Prior to AB 1840, administrators and trustees assigned to districts as a result of an emergency appropriation were referred to as state administrators and state trustees. Subsequent to AB 1840, the new titles are generally county administrator and county trustee.

The enabling legislation calls the position a trustee, but the duties being fulfilled by the county trustee in the district are those of a county administrator, so that term is used in this letter.

Under AB 1840, the county administrator assigned to the district now reports to the Los Angeles County Superintendent of Schools and no longer reports to the SPI. If the current county administrator elects not to continue, or the county superintendent makes a determination that the county administrator should be replaced, the appointment of the next county administrator would follow the provisions of AB 1840, specifically that they 1) be selected from a list of candidates identified and vetted by FCMAT, and 2) be appointed jointly by the county superintendent, SPI and president of the State Board of Education.

In addition, AB 1840 established Education Code Section 42161, which states:

> (a) For the 2018–19 fiscal year, the Inglewood Unified School District shall do both of the following:
>
> (1) Meet the requirements for qualified or positive certification for the school district's second interim report pursuant to Article 3 (commencing with Section 42130) of Chapter 6.
>
> (2) Complete comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability.
>
> (b) Beginning with the 2019–20 fiscal year, the Budget Act shall include an appropriation for the Inglewood Unified School District, if the school district complies with the terms specified in subdivisions (a) and (c), in the following amounts:
>
> (1) For the 2019–20 fiscal year, up to 75 percent of the school district's projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the Department of Finance.
>
> (2) For the 2020–21 fiscal year, up to 50 percent of the school district's projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the Department of Finance.
>
> (3) For the 2021–22 fiscal year, up to 25 percent of the school district's projected operating deficit, as determined by the County Office Fiscal Crisis and Management Assistance Team, with concurrence with the Department of Finance.
>
> (c) Disbursement of funds specified in subdivision (b) shall be contingent on the Inglewood Unified School District's completion of activities specified in the prior year Budget Act to improve the school district's fiscal solvency. These activities may include, but are not limited to, all of the following:
>
> (1) Completion of comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability.
>
> (2) Adoption and implementation of necessary budgetary solutions, including the consolidation of school sites.
>
> (3) Completion and implementation of multiyear, fiscally solvent budgets and budget plans.
>
> (4) Qualification for positive certification pursuant to Article 3 (commencing with Section 42130) of Chapter 6.

(5) Sale or lease of surplus property.

(6) Growth and maintenance of budgetary reserves.

(7) Approval of school district budgets by the Los Angeles County Superintendent of Schools.

(d) Funds described in subdivision (b) shall be allocated to Inglewood Unified School District upon the certification of the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Los Angeles County Superintendent of Schools, to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance that the activities described in subdivision (c), as specified in the prior year Budget Act, have been completed. Additionally, by March 1 of each year, through March 1, 2021, the County Office Fiscal Crisis and Management Assistance Team, with concurrence from the Los Angeles County Superintendent of Schools, shall report to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance the progress that Inglewood Unified School District has made to complete the activities described in subdivision (c), as specified in the prior year Budget Act.

(e) The activities described in subdivision (c) shall be determined in the annual Budget Act based on joint recommendations from the County Office Fiscal Crisis and Management Assistance Team and the Los Angeles County Superintendent of Schools. These recommendations shall be submitted to the Assembly Committee on Budget, Senate Committee on Budget and Fiscal Review, and the Department of Finance by March 1 of each fiscal year, through March 1, 2021, in conjunction with the certification described in subdivision (d).

(f) Until June 30, 2019, the Superintendent may waive the reimbursement determination specified in Section 18054 of Title 5 of the California Code of Regulations for Inglewood Unified School District's 2016–17 fiscal year California state preschool program contract in order to resolve the school district's outstanding child development reimbursement liability to the state.

Trailer bill language for the 2020 governor's budget proposes amendments to Education Code 42161 to establish new conditions of apportionment for 2020-21 as follows: 1) adoption and implementation of necessary budgetary solutions, and 2) adoption of a preliminary school and district facility closure and consolidation plan and initiation of any regulatory approval process related to the sale or lease of surplus property. Additional considerations may be given at the final budget adoption in June.

District Overview

The Inglewood Unified School District was established in the early 1950s as the successor to the Inglewood School District, which came into existence in 1888. It encompasses nine square miles in Los Angeles County and is approximately 13 miles southwest of the city of Los Angeles. The district serves approximately 8,404 students in 19 schools in the city of Inglewood and an adjacent section of unincorporated Los Angeles County (Ladera Heights). The district's schools include one preschool child development center, one transitional kindergarten through grade five (TK-5) school, six TK-6 schools, one TK-7 school, one preschool through grade 8 school, two TK-8 schools, one grades 7-8 middle school, two high schools, one district-operated TK-8 charter school, one district-operated charter high school, one alternative education high school (11-12) and one career technical education/adult education school. The district converted one traditional high school to a district-operated charter high school at the start of the 2019-20 fiscal year. The district-operated charter schools serve 1,129 students included in the 8,404 students referenced above. Numerous independent charter schools are also located in the district.

Approximately 27.7% of the district's students speak a language other than English at home, and 86.4% are eligible for free or reduced-price meals. The district's unduplicated pupil percentage (students who are English learners, foster youth, or eligible for free or reduced-price meals) is 89.1%. Based on the district's fiscal year 2019-20 first interim report, the district is expected to have combined unrestricted and restricted revenue of $123 million and expenditures of $124 million. The district's projected June 30, 2020 unrestricted ending fund balance is $4.3 million.

The former county administrator left the district in October 2019. This was the sixth administrator in the past seven years. The current county administrator was hired in November 2019, using the process outlined above. The district has also experienced turnover in its executive cabinet. The chief academic officer's last official day was July 2, 2019, and a replacement was hired October 16, 2019. The chief business official (CBO) resigned as of August 2019, at which time the director of business services stepped in as interim until officially being hired on November 17, 2019. The director of business services position remains vacant. The executive director of human resources left the district in October 2019. The district revised the job title to chief human resources official and hired a replacement effective October 21, 2019. The district has several consultants currently working in key positions, and FCMAT is concerned that capacity is not being built within the district.

Under state receivership (as described below), the SPI has historically assumed all the legal rights, duties and powers of a district's governing board and appointed a county administrator to act as both the governing board and superintendent. This was the case until September 2018, when the Legislature gave each local county superintendent of schools the role formerly assigned to the SPI for this purpose. The district's five-member governing board serves in an advisory role until the district shows adequate progress in implementing the comprehensive review recommendations in five operational areas (financial management, personnel management, community relations and governance, facilities management, and pupil achievement), and the county superintendent, with the concurrence of the SPI and the president of the State Board of Education, determines that the district has built sufficient capacity to self-govern. Even when the governing board resumes control, a trustee will have stay-and-rescind authority over governing board actions until the emergency appropriation is fully repaid to the state.

Emergency Appropriation, Loan Status and Payment Terms

On September 14, 2012 the governor approved Senate Bill (SB) 533 (Chapter 325/2012), bringing the district under state receivership with a state-approved emergency appropriation of $55 million to avert fiscal insolvency. The district's previous management made efforts to avoid the takeover with last-minute expenditure reductions totaling approximately $22 million, but after years of deficit spending the district's structural budget imbalance was too large. The district was projected to have a negative cash balance by March 31, 2013. Stated reasons for fiscal insolvency included overstating average daily attendance (ADA), understating California State Teachers' Retirement System payments, understating certificated salary expenses, continued deficit spending, and declining enrollment. State emergency appropriations are sized based on many assumptions. Emergency appropriations are not meant to solve the fiscal problem but to allow time for the district to make the reductions needed to correct its structural operating deficit.

The funds for the emergency appropriation (loan) to support the district's cash flow were initially to be issued, as provided for in the legislation, by the California Infrastructure and Economic Development

Bank (I-Bank). The I-Bank typically would sell bonds to investors to raise the capital for this purpose. Temporary loans were made from the state's general fund to provide cash flow before the I-Bank bonds were sold. However, before the bonds were sold, Assembly Bill 86 (Chapter 48/2013) was passed. This legislation superseded the previous legislation mandating I-Bank financing and instead authorized the district, through the California Department of Education (CDE), to request loans directly from the state's general fund in an amount not to exceed $55 million at a much lower interest rate, saving the district millions of dollars over the life of the loan.

Of the $55 million authorized, the district drew $29 million from November 2012 through February 2013 because of negative cash flow projections, leaving a balance of $26 million available.

The CDE reports that, as of July 1, 2019, the district owed $24,839,859. The payment schedule is approximately $1.8 million due each November through 2033, with $2.6 million due November 2034 (the November 2018 payment was deferred to November 2034 with interest). The interest rate is 2.307%. Payments are made through a State Controller's Office (SCO) intercept of the district's principal apportionment.

Other FCMAT Reviews of the District

Since 2013, FCMAT has conducted an annual comprehensive review of the district pursuant to the provision of the emergency appropriation and other relevant law. The comprehensive review uses legal and professional standards aligned with industry best practices and with applicable state and federal law, including the California Education Code. The most recent annual review is dated July 2019 and includes 835 recommendations for improvement and recovery related to each identified standard. Recommendations for recovery are designed and intended to affect functions directly at the district, at school sites and in classrooms. The 2019 report indicates that of the 153 standards reviewed, 23 were fully implemented, 127 were partially implemented and three were not implemented. Fully implementing the designated standards and recommendations will improve pupil achievement, financial practices, personnel procedures, community relations, and facilities management, and will hasten the return to local control and governance, which is the primary objective of the recovery process that the comprehensive reviews monitor.

Current Financial Status

Adopted Budget

The county administrator approved and submitted Inglewood Unified School District's 2019-20 budget on June 26, 2019. The adopted budget as submitted to the Los Angeles County Superintendent of Schools (county office) showed a reserve for economic uncertainty of 4.04% for fiscal year 2019-20, 4.36% for 2020-21 and 4.49% for 2021-22. To meet these reserve requirements, the district's budget included one-time AB 1840 revenues of $3.6 million in 2019-20. In addition, the adopted budget's multiyear financial projection (MYFP) included budget reductions of $4.7 million for fiscal year 2020-21 and an additional $5.0 million in fiscal year 2021-22. To enable the district to meet its required 3% reserve, the district included AB 1840 revenues of $4.1 million in 2020-21 and $1.4 million in 2021-22 plus additional contingent revenue increases/expenditure reductions of $0.5 million in 2020-21 and $1.9 million in 2021-22. However, the additional contingent reductions were nonspecific and were not part of a substantiated fiscal stabilization plan (Exhibit A).

2019-20 Adopted Budget (Unrestricted General Fund)

	2019-20 Adopted Budget	2020-21 Projected	2021-22 Projected
Projected Operating Surplus (Deficit)	$18,555	($9,235,275)	($12,920,144)
AB 1840 Revenues		$4,065,914	$1,362,254
Planned budget solutions		$4,669,361	$9,657,890
Other contingent budget solutions		$500,000	$1,900,000
Projected Surplus (Deficit) including AB 1840 revenues and contingent budget solutions		$0	$0
Ending Fund Balance	$5,264,461	$5,264,461	$5,264,461
Minimum Required Reserve	$3,664,811	$3,393,240	$3,293,655
Total Available Reserves	4.04%	4.36%	4.49%

The budget includes the effects of continued declining enrollment: a projected 511 fewer students in 2019-20 than in the previous year, a further 403 fewer students in 2020-21, and a further 359 fewer students in 2021-22. The projected ADA is estimated to be 7,744 in 2019-20, 7,366 in 2020-21, and 7,028 in 2021-22.

The county office approved the district's 2019-20 adopted budget with the requirement that the district submit an updated fiscal stabilization plan that provides the implementation status of the planned reductions, including alternative options for contingent expenditure reductions and revenue increases with its 2019-20 first interim report (Exhibit B). The district provided an updated fiscal stabilization plan with its first interim report; however, it did not provide the implementation status of the planned reductions or alternative options for contingent expenditure reductions and revenue increases.

First Interim Report

The county administrator approved and submitted the district's 2019-20 first interim financial report on December 12, 2019, and self-certified the district as qualified, meaning the district may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. Since budget adoption, projected revenues increased by $792,525, projected expenditures decreased by $359,000, and contributions to restricted programs increased by $2.1 million, replacing a surplus of $18,555 with a deficit of $884,920 in the unrestricted general fund. The unrestricted general fund ending balance is projected to decrease from $6.0 million to $4.3 million, including a negative audit adjustment of $812,852. The reserve for economic uncertainty is projected to decline from 4.04% to 3.32%.

In addition, the district projects that its 2020-21 deficit will increase by $3.3 million, from $9.2 million at budget adoption to $12.6 million at first interim, and that its 2021-22 deficit will increase by $1.9 million, from $12.9 million at budget adoption to $14.8 million at first interim.

2019-20 First Interim (Unrestricted General Fund)

Fiscal Year	2019-20 Projected	2020-21 Projected	2021-22 Projected
Projected Surplus (Deficit) at Adopted Budget	$18,555	($9,235,275)	($12,920,144)
Projected Increase in Deficit	($903,475)	($3,343,474)	($1,889,054)
Projected Surplus (Deficit) at 1st Interim	($884,920)	($12,578,749)	($14,809,198)
AB 1840 Revenues		$6,239,423	$3,654,343
Planned budget solutions		$6,339,326	$9,254,855
Other contingent budget solutions			$1,900,000
Projected Surplus (Deficit) including AB 1840 revenues and contingent budget solutions		$0	$0
Ending Fund Balance	$4,289,004	$4,289,004	$4,289,004
Minimum Required Reserve	$3,715,691	$3,397,800	$3,305,864
Total Available Reserves	3.32%	3.63%	3.73%

The district's 2019-20 first interim report submitted to the county superintendent included projections that rely on additional state apportionments of $6.2 million in 2020-21 and $3.7 million in 2021-22 under AB 1840, as well as unspecified expenditure reductions and/or revenue increases of $1.9 million in 2021-22, to meet the required reserve levels. The deterioration of the district's financial condition is of significant concern. The district needs to immediately address the growing deficit, implement the expenditure reductions and revenue increases identified in its fiscal stabilization plan, and identify specific budget solutions for 2021-22.

One of the conditions for the district to be considered for state assistance under AB 1840 is that the district meet the requirements for a qualified or positive budget certification in 2018-19 and for positive budget certifications in 2019-20 and 2020-21. As of the 2019-20 first interim report, the district does not meet this condition. Therefore, the district must be more aggressive in identifying and implementing additional ongoing cost reductions and/or revenue increases. Assembly Bill 1840 funding is one-time in nature and declines each year, from 50% in 2020-21 to 25% in 2021-22, and to 0% in 2022-23. Nonspecific expenditure reductions and/or revenue increases are insufficient to provide confidence in the district's plans and ability to garner a positive certification. Such conditions often justify a downgrade in interim report certification. Without AB 1840 funding, the district would have a negative certification.

The county office completed a review of the district's first interim report and its updated fiscal stabilization plan and concurred with the district's qualified certification (Exhibit C). Although the district has identified expenditure reductions in the amount of $6.3 million in fiscal year 2020-21 and an additional $4.8 million in fiscal year 2021-22, the district will not meet the required reserve levels without relying on apportionments under AB 1840. The county office noted that projected costs for special education had increased substantially since the adopted budget and that contributions from the unrestricted general fund increased by $2 million at first interim. The district was instructed to submit with its 2019-20 second interim report a plan that includes initiatives to address and rectify the increasing special education expenditures. The district was also instructed to submit with its second interim report an updated fiscal stabilization plan that includes the implementation status of the planned reductions, including alternative options for contingent expenditure reductions and revenue increases. These directions provided by the county superintendent were identical to those the county superintendent provided in response to the district's adopted budget. The county superintendent should continue to be assertive in the dual role of traditional fiscal oversight and AB 1840 administration of the district. The county superintendent has retained outside fiscal assistance for the district that will commence on March 2, 2020 to help build capacity and best practices in the district's fiscal operations.

The district has identified additional cost savings and revenue increases; however, these are contingent on external factors and cannot be guaranteed. They include revenues from the leasing of underused or surplus land, and additional consolidation of schools. A copy of the district's fiscal stabilization plan submitted with its first interim financial report is attached (Exhibit D).

Status of Collective Bargaining

In May 2018, the district and both of its bargaining units settled negotiations for 2018-19 through 2020-21 with reopeners on two articles as well as salary and benefits for 2020-21. However, on May 8, 2019, the district reached an additional tentative collective bargaining agreement with the Inglewood Teachers Association for fiscal years 2018-19 through 2020-21. The agreement provided for an increase in the number of working days for school counselors, changed the hourly salary range rate for adult education teachers, and added a stipend for psychologists who have certain certifications to work with English learner students. The public disclosure of proposed collective bargaining agreement documents were signed by the county administrator and the CBO on August 30, 2019, and the county administrator approved the agreement on September 11, 2019. The county office responded to the district's AB 1200 collective bargaining disclosure in its January 15, 2020 review letter of the district's 2019-20 first interim report. The county office noted that the ongoing cost of the settlement was reflected in the district's first interim report and that the district will continue to maintain the minimum required level of reserves with the planned reductions per the fiscal stabilization plan. FCMAT notes that the county superintendent did not comment on the impact of the agreement terms until January 15, 2020. This timeline is inconsistent with existing law regarding disclosure requirements and a county superintendent's comments.

Status of Annual Audits

The district received its 2017-18 audit report in July 2019. The 2018-19 audit fieldwork began in January 2020 and will be filed with the SCO by March 31, 2020. The 2019-20 audit is slated to start and follow the normal schedule, with the expectation that the final audit report will be filed with the SCO by the statutory timeline of December 15, 2020.

As detailed below, the 2017-18 audit report identified various findings totaling at least $495,000 in financial penalties. Payment of the penalties will have an adverse impact on the district's ending fund balance.

District Actions Since Budget Adoption

The district submitted budget revisions as required within 45 days of the approval of the state budget, increasing state revenues by $900,000 for the one-time special education early intervention preschool entitlement, increasing expenditures by $700,000, and decreasing contributions to restricted programs by $650,000, resulting in an increase of $200,000 to the unrestricted general fund balance.

The district's 2019-20 first interim budget report included an updated fiscal stabilization plan that increased the planned expenditure reductions and/or revenue increases from $4.67 million at budget adoption to $6.34 million in 2020-21, and decreased them from $5 million to $4.82 million in 2021-

22. The plan includes the reduction of a number of administrative, certificated, and classified staff. Resolutions needed to reduce staff have not yet been approved by the county administrator.

Deficit Calculation

FCMAT Analysis of MYFP Deficit in 2020-21 and 2021-22

To validate the calculations on the first interim MYFP, FCMAT performed the following:

- Analyzed budget, payroll and position control
- Updated the local control funding formula (LCFF) calculation based on the governor's January proposed budget data
- Created enrollment and ADA projections using Projection-Pro
- Verified revenues from former redevelopment agencies and included these funds
- Verified prior year apportionment adjustments and corresponding journal entries
- Analyzed budget-to-actuals data for the current year
- Performed a detailed review of special education, routine restricted maintenance accounts, and transportation
- Balanced restricted resources for 2020-21 and 2021-22
- Reviewed annual audit report

Based on a review of the district's first interim report, analysis of district documents, and discussions with the district's CBO, FCMAT found the district's first interim report to be reasonable. FCMAT also compared the district's fiscal year 2018-19 second interim report to its unaudited actuals in the unrestricted general fund to ascertain the level of reliability the district has in estimating the cost of salaries and benefits. This comparison showed that the district overbudgeted salaries and benefits; the variance between the second interim and the unaudited actuals was approximately $2.1 million. The district's CBO indicated that although vacant positions were included in the budgets, they have difficulty filling the positions and therefore ultimately have to use contracted services to meet the need. Although district staff may be monitoring these important details, FCMAT's findings in this area indicate that district staff do not align the budget with actual expenditures as the fiscal year progresses, which makes it difficult to reach conclusions based on budget data. The district needs to recognize savings for unfilled positions throughout the year to provide a more realistic budget projection and financial position. Salaries and benefits appear to be overbudgeted and supplies and services appear to be underbudgeted at first interim based on a review of year-to-date expenditures. District staff reported to FCMAT in interviews that it was their intent to purchase $1.17 million in textbooks in the current year; however, the current budget is insufficient to support the expenditure. FCMAT made adjustments to the above categories in its MYFP.

Special education costs are a significant portion of the district's operating budget and have continued to increase even as total enrollment has declined. The district is heavily reliant on outside contracted services to provide adequate services to special needs students. In addition, the district was found to be out of compliance in a variety of special education services and therefore has had to contract for services to ensure that students receive the services outlined in their individualized education programs (IEPs). The district's first interim report included an increase of more than $2 million from the adopted budget for contracted services in special education and a corresponding increase in the contribution from the unrestricted general fund. The largest single factor driving this adjustment was an inadequately developed budget for 2019-20. In 2018-19, the district spent $7.9 million on behavior intervention and instructional aide services but for 2019-20 budgeted only $5.080 million. The district has adopted a step-by-step contract approval and monitoring process for special education services. FCMAT's analysis of prior year actual expenditures and current year expenditures plus encumbrances indicates that salaries and benefits are overbudgeted in special education. However, the current special education budget overall (after the $2 million first interim adjustment) appears sufficient to cover all obligations. Although FCMAT's final accounting includes these and other factors known at the time of this letter, and the district has implemented a significantly improved process to monitor special education expenses, a risk remains in the forecast for special education expenditures.

The district's student enrollment is also declining at a high rate, which directly affects its revenues. FCMAT's most recent LCFF calculation for the district is based on a decline of 289.31 ADA, or approximately 3.68%, for fiscal year 2020-21, and a further decline of 289.56 ADA, or approximately 3.82%, for fiscal year 2021-22. This decline in enrollment and ADA directly affects the district's budget and its ability to remain fiscally solvent.

The two subsequent fiscal years in the MYFP include the items identified in the fiscal stabilization plan; however, FCMAT's analysis of the details of the MYFP indicates not all of the assigned values may be realized. The district is planning for reductions in operating budgets for centralized departments as well as reductions to school site budgets for books, supplies and services in both subsequent fiscal years. However, the district's reductions do not take into consideration the projected increase to these categories resulting from the consumer price index (CPI). Using CPI projections of 2.99% in fiscal year 2020-21 and 2.89% in fiscal year 2021-22, FCMAT's calculations for fiscal year 2020-21show an increase in costs of $32,500 on total books and supplies expenditures, giving the district a net reduction of $97,500 rather than the projected reduction of $130,000, and a CPI cost of $243,000 in total services expenditures, giving the district a net reduction of approximately $293,700 rather than the projected reduction of $536,700. For fiscal year 2021-22, FCMAT calculated a CPI increase of $11,300 for total books and supplies expenditures, giving the district a net reduction of $118,700 rather than the projected reduction of $130,000, and a CPI cost of $237,100 for total services expenditures, giving the district a net increase of approximately $67,100 rather than a projected reduction of $170,000.

The district overcontributed to the Routine Restricted Maintenance Account (RRMA) by $665,000 in 2019-20. The first interim fiscal recovery plan includes an ongoing reduction of $715,370 for RRMA expenditures in 2020-21 and 2021-22. This would reduce expenditures below the 3% minimum required contribution. The district continues to benefit from former redevelopment agency (RDA) revenues that are in addition to the LCFF revenue apportionment; the district is projected to receive approximately $1.7 million in former RDA revenues in 2019-20. These revenues may be used to help cover the district's contribution to the RRMA. Both the district and FCMAT have included these revenues and contributions in their projections.

Consistent with its fiscal stabilization plan, the district recently entered into a facility use agreement with Green Dot Public Schools California, which operates Animo City of Champions Charter High School. The agreement grants the charter school a combination of exclusive and nonexclusive use of the district's Old Warren Lane school site. The fiscal benefit to the district is $313,671in fiscal year 2019-20 and $393,671 in fiscal year 2020-21.

On July 18, 2018, the district, CALPro, and the district's management entered into a participation agreement with California's Valued Trust (CVT) effective October 1, 2018. This trust provides multiple employee health and benefit plans with various options. Benefit plan sections are recommended by a joint labor and management committee and are reviewed and approved (or disapproved) by the county administrator. The district included $500,000 in ongoing savings from health and welfare plan design changes for 2019-20. The district reports an actual savings of approximately $260,000. Plan proposals included rate cap guarantees of 7.9% in the 2020-21 fiscal year. This rate increase has been included in FCMAT's MYFP.

The district's fiscal stabilization plan submitted with its 2018-19 budget and interim reports included an ongoing reduction of $575,000 for a decrease in workers' compensations rates for 2019-20 and 2020-21. Although the district was able to reduce the workers' compensation rate to 3% for the 2019-20 fiscal year, the actuarial study completed in February 2019 indicates that the rate will increase from 3.0% in 2019-20 to 4.07% in 2020-21 and 2021-22. Both the district and FCMAT have included this increase in their projections.

Consistent with AB 1840, the district, in collaboration with the county office, is working to develop a facilities closure and consolidation plan. Part of the plan is to realize potential revenue from the lease or sale of surplus facilities. The fiscal stabilization plan includes an estimated $1.5 million in projected revenue in fiscal year 2021-22 from the first phase of this plan. The district has also identified ongoing savings of $300,000 in 2020-21 and 2021-22 for the closure of Woodworth Elementary School, and $400,000 in 2021-22 for an additional school closure or consolidation. The estimated savings are from reductions in personnel, utilities and operating costs.

These calculations are based on what is known at the time of this report and will require revision as development of the 2020-21 budget proceeds.

FCMAT's calculations of the district's unrestricted, restricted and combined general fund operating surplus/(deficit) for the current and two subsequent fiscal years are as follows:

Operating Surplus (Deficit)

Fiscal Year	Unrestricted	Restricted	Combined
2019-20	($445,140)	$3,109,455	$2,664,315
2020-21	($9,270,124)	($2,272,842)	($11,542,966)
2021-22	($9,635,257)	$309,283	($9,325,974)

A copy of FCMAT's MYFP is included with this report as Exhibit E.

FCMAT Projected Ending Fund Balance and Reserve Levels

Fiscal Year	Ending Fund Balance	Minimum Required Reserves	Total Available Reserves
2019-20	$4,233,184	$3,654,143	3.33%
2020-21	($5,036,940)	$3,760,969	(4.16%)
2021-22	($14,672,197)	$3,641,371	(12.05%)

COE Intervention Costs Included in Deficit Calculation

The county superintendent has created support positions for the district to meet identified critical needs. The positions will perform the following functions:

1. Support for the instruction program focusing on quality first teaching, professional development, and monitoring student progress.

2. Facilities oversight, monitoring the facilities plan, school operations, school and community safety, and managing facility projects.
3. Child welfare and attendance support to ensure the development and implementation of district procedures related to attendance recordkeeping, enrollment, and policies that address the unique needs of specialized programs.
4. System support to ensure fluidity and accuracy of data collection and reporting. There is a need to standardize procedures for entering, reconciling and interpreting data, and to build capacity to use data to drive ongoing improvements.
5. Special education support focusing on systems, compliance monitoring, policy development, and professional development. Developing and revising policies and protocols to ensure legal compliance, provide trainings and monitor progress on commonly litigated legal issues. Supporting special education finance, focusing on revenues, expenditures, processes and accountability, particularly in the areas of contracts, billing and payment for special education.

An estimate provided by the county office indicates the CCEE, the district and the county office will share the total cost of the support listed above, with the CCEE funding two of the positions, the district funding two of the positions at a cost of nearly $460,000, and the county office absorbing the cost of the remaining positions, estimated to be approximately $860,000 per year.

Other Considerations Added to or Subtracted from Deficit Calculation

The district received notice from the Internal Revenue Service (IRS) that it owed approximately $800,000 in unpaid payroll taxes. Typically, when employee paychecks are processed, withheld payroll taxes are held in a clearing account and transferred to the taxing agencies by the county office. The district paid the claim to prevent the threatened levy of interest, penalties and liens. However, the district and the county office have continued to work through a reconciliation process to determine if any back taxes were actually owed the IRS. Until the reconciliation is complete, and to account for the funds paid to the IRS, the district booked a negative $800,000 audit adjustment to its 2019-20 beginning fund balance at first interim. Regular reconciliation of the payroll clearing account should have identified this issue and determined whether the IRS's claim was valid before payment was made to the IRS.

The district's 2017-18 audit report, completed in July 2019, contained several findings that will result in financial penalties. Penalties associated with findings related to the administrator-to-teacher ratio, unduplicated pupil counts, and independent study contracts amount to approximately $495,600. In addition, auditors found that continuation education program ADA had been overstated. The auditors were unable to determine the amount of overstated ADA or the amount of the associated penalty. If the district fails to successfully appeal these findings, the penalties will increase the amount of the district's deficit. The county office has advised the district to book an audit adjustment for the quantifiable findings at second interim, and FCMAT has included this negative adjustment to fund balance in its MYPF.

Opportunities and Challenges to Calculation

As mentioned previously in this letter, the district continues to be severely affected by increasing costs in its special education program. Projected costs for contracted special education services increased by $2.055 million over the adopted budget. This was unexpected and demonstrates the continued instability in the district's special education costs. At the same time, the district is commended for recognizing the current year trend and budget impact at the time of its first interim report rather than in April, May or June.

The district is a member of the Southwest Special Education Local Plan Area (SELPA), which is responsible for coordinating regionalized services for all its member school districts and charter schools. Beginning with the 2018-19 fiscal year, member districts voted to partially support the cost of regionalized services for three years with a SELPA subsidy. The district currently has 73 students who are served by regionalized services, and plans to reduce that number by 13 students in 2020-21. The procedure states that the subsidy will be prorated between special day class (SDC)/related services and itinerant costs, based on the proportion of each cost group to the total of all costs, ultimately reducing the amount the district will have to pay for regionalized services. The SELPA-wide allocated subsidy amounts are $8 million per year in both 2018-19 and 2019-20 and will be reduced to $4 million in 2020-21. The district received approximately $1.597 million of the $8 million subsidy in 2018-19, thereby reducing its excess cost bill by 30.42%. The subsidy would be reduced by 50% in 2020-21, and beginning with fiscal year 2021-22 the SELPA will not supplement the regionalized services program unless the members vote to continue the subsidy. FCMAT is unable to determine the fiscal impact of the 50% reduction of the subsidy in 2020-21 and the elimination of the subsidy in 2021-22. The amount of the subsidy that is received by the district is determined by the total costs of the SELPA regionalized services, the total number of students in the program, the number of district students served, and the type of services the district's students receive. These factors could vary significantly from year to year, but as stated above, the district received approximately $1.6 million in 2018-19 so, absent any change in these factors, the district could potentially lose nearly $800,000 in 2020-21 and another $800,000 in 2021-22. The district estimates its costs for regionalized services will increase by $300,000 in 2020-21 due to the reduction in the subsidy.

The district previously had its own school police department, which included a chief of police, three police officers and 14 safety assistants. As part of its fiscal stabilization plan, the district is exploring the option of fully phasing out the police department in fiscal year 2020-21 and replacing it with a delivery model more common in comparably sized school districts. The chief of police retired in December 2019 and two police officers have resigned, leaving a department of one officer. The district is not filling any vacancies in its police department and has met with the city to discuss options for school resource officers. Possible savings from the reorganization of the school police department are not known at this time but are expected to be minimal.

In the past year, the district has denied petitions to open new charter schools. At least one of those denials remains on appeal with the county board. The same petitioner has filed an identical petition with neighboring Los Angeles Unified School District (LAUSD), which has similarly denied it. The appeal of the LAUSD denial is also pending before the county board. In addition, since March 1, 2019 the district has denied several charter petition renewals. In March 2019, the district denied the renewal petition of ICEF Inglewood Middle Charter Academy effective July 1, 2019. The charter school had an enrollment of 202 in 2018-19. In October 2019 the district denied the renewal petition of Today's Fresh Start Charter School Inglewood. The charter school had an enrollment of 431 in 2018-19. The county board of education sustained the denial, and Today's Fresh Start Charter School Inglewood has appealed further to the State Board of Education, with an anticipated decision in May 2020. In January 2020, the district denied the renewal petition of Children of Promise Preparatory Academy, which had an enrollment of 419 in 2018-19. It is unclear how many students from these charter schools will return to the district. Therefore, the financial impact is unknown at this time. In addition, the district has recently challenged non-district-sponsored charters operating illegally within the district. The district is to be commended for being proactive in assessing charters and providing charter oversight for the first time.

The audit reports for 2014-15 and 2015-16 identified findings related to overreporting of ADA and unduplicated pupil count (UPC), resulting in the overpayment of LCFF apportionment. The district appealed the audit findings from the 2014-15 and 2015-16 fiscal years. The district requested a settlement conference with the SCO and the Department of Finance (DOF), and the issues were settled. Approval by the Education Audit Appeals Panel (EAAP) occurred on February 24, 2020. The total of the 2014-15 issues is $2,328,697, and the settlement is for $415,358. The settlement amount will be withheld from the district's apportionments over eight years in eight equal installments with no interest. La Tijera Charter School will have $15,910 withheld from its apportionment in equal installments over eight years with no interest. The total of all issues for 2015-16 is $623,329, and the settlement is for $486,894. The settlement amount will be withheld from the district's apportionments over eight years in eight equal installments with no interest. La Tijera Charter School will have $8,524 withheld from its apportionment within 30 days of the approval of the settlement agreement by the EAAP.

The reduction in ADA for the 2014-15 and 2015-16 fiscal years will reduce apportionment entitlements for each of the subsequent years. The amount that will be owed for subsequent years after the adjustments for both years will be approximately $300,000 to $400,000. The district may request a repayment plan from the CDE, and payment details have yet to be determined. The repayment of apportionment has not been included in FCMAT's MYFP.

The district is currently in negotiations for the lease of the Woodworth Elementary School site. Negotiations are ongoing and the district, although wanting to maximize immediate revenue, does not want to negatively impact long-term development opportunities. The terms are for an initial one-year use-of-facilities agreement at $108,821 per month ($1,305,852 per year). If a deal can be reached, it should be finalized within the next two months. The potential revenue from this lease is not included in the MYFP. It potentially would benefit the district in 2020-21 and 2021-22.

AB1840 Benchmarks

Required Benchmarks

Education Code 42161(c) provides a list of benchmarks to be measured as a condition of apportionment of one-time funds to assist the district. The benchmarks are examples of activities to improve the district's fiscal solvency, and the district may include them but is not limited to them. Prior to the first AB 1840 March 1 letter in 2019, FCMAT, the county office and the district agreed on the benchmarks that would be monitored. They include required benchmarks derived from code and district-established benchmarks added by the district. The county office has taken an active role in helping the district and has created a targeted plan of action that is intended to guide the district toward the goal of achieving long-term fiscal stability and recovery. Together, they are working to identify key areas for improvement based on the benchmarks below, district-established benchmarks, and recommendations from FCMAT's comprehensive reviews. The district has made significant progress in many instructional and operational areas. It continues to struggle with budget issues. The benchmarks are provided below with brief detail of the district's status with regard to each benchmark.

1. Completion of comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability.

Status

The district and the county office identified the following operational areas to be reviewed: maintenance and operations, fiscal services, transportation, human resources, technology, education services, and the school police department.

On December 5, 2018 the district entered into an agreement with School Services of California, Inc. (SSC) to conduct an organizational, efficiency and comparative staffing review that included the Educational Services (excluding special education), Fiscal Services, Human Resources, Technology, and Maintenance and Operations departments. The cost of this agreement was not to exceed $62,700 plus expenses.

SSC issued the report on March 1, 2019. The report provided an analysis of staffing levels compared with those of similarly sized unified school districts. SSC made a number of recommendations for organizational and procedural changes aimed at improving the overall efficiency and effectiveness of the departments under review. Members of the executive cabinet continue to review and consider the recommendations, with none implemented to date.

On January 16, 2019 the district entered into an agreement with PTI Consulting (PTI) to conduct a comprehensive review of the district's pupil transportation department. The cost of this agreement was $24,585. The review included fieldwork not to exceed three business days to conduct staff interviews, review pertinent operational documents and best practices, and observe the facilities. The report was completed on May 6, 2019. According to the staffing section of the report, the district is appropriately staffed based on the number of bus routes, and the office staff is sufficient to support those drivers. The report stated that the district previously had two bus mechanics, yet when one retired the position was not filled. The report recommended that the district analyze the cost of outside repairs for both the bus fleet and the non-school-bus (white fleet) maintenance and, if justified, hire another mechanic.

On May 15, 2019, the district entered into a subsequent agreement with PTI for management assistance services to help the district with critical issues needing immediate relief, at a cost not to exceed $40,000. An amendment was approved on August 7, 2019 to increase the not to exceed amount to $50,000 and extend the term to December 31, 2019. The agreement states that observation findings and recommendations will be provided to the district in a bimonthly written and/or conference status report. Status reports were provided on June 11, 2019, August 13, 2019 and October 11, 2019. The consultant provided on-site assistance for several days over the term of the contract to train the mechanic on performing safety checks, preventive maintenance, bus inspections, shop organization, and documentation. PTI noted in its report of October 11, 2019 that no improvements were noted and no previous recommendations had been implemented. The consultant concluded that the shop mechanic does not have the training, knowledge, or ability to maintain the fleet in a safe manner. PTI recommended that the district explore options to outsource transportation services. The district reported that it is in the process of hiring an additional shop mechanic, reducing its fleet by 10 buses and one passenger van, and working to establish written procedures for parts purchases.

The district has not yet selected a vendor or entered into an agreement for an operational review of its police department. The district's chief of police retired in December 2019, and two police officers recently resigned. The district is exploring the option of fully phasing out the police department in fiscal year 2020-21, and negotiations with the City of Inglewood for contracted services are ongoing. Continuing conversations with the city may obviate the need for this operational review.

2. Adoption and implementation of necessary budgetary solutions, including the consolidation of school sites.

   Status

   The district's fiscal stabilization plan approved with its 2018-19 first interim report included budget reductions/revenue increases of $4.6 million for fiscal year 2019-20 and $6.0 million for 2020-21.

   In March 2019, the county administrator approved resolutions to reduce particular kinds of services by 34.0 certificated full-time equivalent positions (FTEs), non-reelect three probationary certificated employees, and release or reassign four administrators for the 2019-20 school year. The resolution of April 24, 2019 implemented the certificated layoff and terminated the services of 26 certificated employees. The resolution states that the county administrator accounted for attrition that had occurred after the preliminary resolution in order to reduce the number of employees whose services were terminated. The district reported that it had eliminated four administrative positions and terminated three probationary certificated employees.

   The county administrator approved a resolution on June 26, 2019, which resulted in the layoff of 16 classified positions; ten of these positions were vacant, and six employees laid off.

   The district's fiscal stabilization plan approved with its 2019-20 adopted budget included expenditure reductions/revenue increases of $4.7 million in 2020-21 and an additional $5.0 million in 2021-22. The fiscal stabilization plan approved with the district's 2019-20 first interim report included expenditure reductions/revenue increases of $6.3 million in the 2020-21 fiscal year and an additional $4.8 million in 2021-22. Many of the identified reductions are to personnel and thus will require formal action. As these items are approved, the district will update this plan with the most current projected savings. Consolidation of school sites is addressed under the district-established benchmarks below.

3. Completion and implementation of multiyear, fiscally solvent budgets and budget plans.

   Status

   The district is projecting a deficit of $884,920 in its unrestricted general fund for 2019-20. The budget includes one-time AB 1840 revenues of $3.6 million. Available reserves are projected to be 3.32%. The district is including in its MYFP the potential revenue increases and budget reductions outlined in its fiscal stabilization plan. Although the district has identified expenditure reductions/revenue increases in the amount of $6.3 million in fiscal year 2020-21 and an additional $4.8 million in fiscal year 2021-22, it does not have a plan that eliminates the deficit and establishes the minimum required reserve levels without including AB 1840 revenues.

4. Qualification for positive certification pursuant to Article 3 (commencing with Section 42130) of Chapter 6.

   Status

   The district self-certified its first interim 2019-20 report as qualified; the county office concurred with this certification. At first interim, the district moved from a projected surplus to a projected deficit for the current year and increased its deficit projections significantly for the two subsequent years. The district is moving in the wrong direction; budget matters must be considered a top priority for the district team to solve. The district is using AB 1840 funding to mitigate budget deficits more than it is using the one-time funds to invest in new systems. The district must be more aggressive in identifying and implementing additional ongoing cost reductions and/or revenue increases. AB 1840 funding is one-time in nature and declines each year, from 50% in 2020-21 to 25% in 2021-22, and to 0% in 2022-23. Nonspecific expenditure reductions/revenue increases are insufficient to provide confidence in the district's plans and ability to garner a positive certification; they should be adjusted to be associated with specific line item reductions.

   The agreed upon benchmarks include a requirement that the district file a positive 2019-20 interim report to receive AB 1840 revenues. Without these revenues, the district's fund balance will be negative in 2020-21.

5. Sale or lease of surplus property.

   Status

   The district has experienced significant changes in key management positions since last year. The county administrator, CBO, and executive director of facilities, maintenance, operations and transportation are new to their positions. The county office has increased support by supplementing district staff with county office staff and consultants. The new leadership team has identified opportunities to expedite its options to surplus property. Although the prior administration was intending to develop an entire portfolio of surplus properties and take the portfolio through the California Environmental Quality Act (CEQA) process as a whole, immediate opportunities have presented themselves and, after collaboration with City of Inglewood elected officials and staff, the district decided to bring the first property to market as quickly as possible and proceed with CEQA once development partners are in place.

   By coordinating Measure GG (general obligation bond) work at Morningside High School with the consolidation of the adjacent Woodworth Elementary School and Monroe Middle School, approximately 23 contiguous acres that will be surplus to the district's educational needs have been made available for development over the next two years. The schools are sharing a management team, but the elementary school has not yet moved to the middle school site. The Woodworth/Monroe consolidation is expected to be completed by July 1, 2020.

The district prepared a request for qualifications (RFQ) to identify a development partner to jointly develop the 22.6-acre site. The RFQ was released on January 28, 2020. Through this process, the district expects to identify a developer who will be able to help identify the highest and best use of the property to maximize ongoing revenue, design the project, and obtain the necessary municipal approvals (general plan and zoning amendments) as well as comply with CEQA. It is anticipated that the process will take close to two years after the developer is identified. The district hopes to generate revenue from other underused properties.

The district is currently in negotiations for the lease of the Woodworth Elementary School site. Negotiations are ongoing and the district, although wanting to maximize immediate revenue, does not want to negatively affect long-term development opportunities. The terms are for an initial one-year use-of-facilities agreement at $108,821 per month ($1,305,852/year). If a deal can be reached, it should be finalized within the next two months.

The district continues to refine its plan to consolidate sites to both increase operational efficiencies and generate revenue. The challenge is that, although various properties have been considered for consolidation, the district must also consider that moving students from one school to another could likely encourage the continued exodus of students from the district.

In an attempt to keep students from leaving the district after the sixth grade, the district initiated a grade level expansion program at various elementary schools, from K-5 or K-6 to K-8. The expansion is projected to be accomplished over three years. Current leaders have retained a demographic firm to update student enrollment projections, identify and validate further school consolidation opportunities, and analyze the effectiveness of the grade level expansion program.

Other properties are also being explored for consolidation and development. The district is studying the possible consolidation of administrative services from the current district office location to the underused Inglewood Adult School location. The adult school is in a three-story office building and uses less than half of the available space. It may be possible to move the district office building staff, including those currently housed in portables in the district office parking lot, into one building. Consolidating administration services would provide operational efficiencies as well as make more property available to generate revenue.

6. Growth and maintenance of budgetary reserves.

   Status

   The proposed revenue increases and expenditure reductions in the district's MYFP and fiscal stabilization plan are not sufficient to eliminate deficit spending and restore the district's ending fund balance to the required minimum reserve levels. The district's MYFP relies on AB 1840 revenues to meet the required level of reserve. The plan for 2021-22 relies on unspecified expenditure reductions and/or revenue increases from potential property development and use opportunities in addition to AB 1840 revenues.

FCMAT's calculations of the district's unrestricted general fund balance and available reserves are shown in the table below. FCMAT's MYFP includes the expenditure reductions/revenue increases for 2020-21 and 2021-22 included in the district's fiscal stabilization plan submitted at first interim 2019-20, and the unallocated expenditure reductions/revenue increases of $1.9 million in 2021-22.

Fiscal Year	2019-20	2020-21	2021-22
Ending Fund Balance	$4,233,184	($5,036,940)	($14,672,197)
Minimum Required Reserve	$3,654,143	$3,760,969	$3,641,371
Total Available Reserves	3.33%	(4.16%)	(12.05%)

7. Approval of school district budgets by the Los Angeles County Superintendent of Schools.

   Status

   The district's 2019-20 adopted budget was approved as submitted. The district's adopted budget included an updated fiscal stabilization plan that identified specific ongoing cost reductions, negotiable expenditure reductions, and contingent revenue increases. The district submitted its first interim financial report and self-certified as qualified, and the county office concurred with that certification.

District-Established Benchmarks

1. Facility Planning

   Status

   As noted above, district staff, in collaboration with county office staff, meet regularly to continue to develop and refine a school consolidation and closure plan. The team of county office and district staff has also identified facilities in need of modernization, repairs and new construction. Consultants are helping monitor the facilities plan, school operations and school and community safety, and assisting with the surplus property process and management of projects funded by Measure GG and Los Angeles World Airports (LAWA).

   The district is considering asking the community to support further modernization of schools with a possible Proposition 39 general obligation bond election in November 2020. In preparation for the election, the district is going through the request for proposal (RFP) process for bond counsel and fiscal advisory services. Paper screening is complete, and at the time of FCMAT's review interviews were scheduled for the end of February 2020. It is expected that the recommended firms will be presented for approval at the March 11, 2020 board meeting. Initial polling indicates a likelihood of success. The district has not identified how it will manage and support a new facilities modernization program given its current lack of capacity for planning, procurement, accounting and financial reporting.

2. Special Education

   Status

   The district continues its work with the CCEE on building capacity in various special education program elements, including IEP timelines, data monitoring, and coordinating support to targeted schools. The CCEE is also financially supporting the implementation of a high quality behavior support and intervention program.

   The county office support team is working with the district, focusing on systems, compliance monitoring, policy development, and professional development. Other areas of focus include developing and revising policies and protocols in special education to ensure legal compliance and training, and to monitor progress on commonly litigated legal issues. In addition, the team is working to support special education finance, focusing on revenues, expenditures, processes and accountability, particularly in the areas of contracts, billing and payment for contracted special education services.

   Accomplishments include reconciling Aeries (student information system) and Special Education Information System (SEIS) data, developing and increasing expertise in supporting students who receive specialized academic instruction, training in CDE corrective action, refining IEP tracking, standardizing the district's student success team process, developing an internal dispute resolution process to reduce the costs associated with complaints and litigation, and developing programs to support students with moderate and severe disabilities in preparation for taking programs back from the SELPA regionalized programs. In addition, the county office support team is attending IEP meetings along with district staff.

   Challenges in providing a continuum of services and least restrictive environments for special education students continue. The costs of various options for delivering services presents a risk to the district's fiscal stability.

3. Fiscal Stabilization Plan

   Status

   The district has produced a fiscal stabilization plan that has been updated with each submission of budget and interim financial reports. The district is projecting reductions in operating costs and other budget measures to reduce the operating deficit for 2020-21 and 2021-22. The district has worked with the county office team to identify realistic and achievable ongoing budget reductions that support sound budgeting practices and that will help the district attain fiscal stability. The district hopes to find ways to generate revenue from underused properties. To build its reserves and to achieve long-term fiscal solvency, the district acknowledges that it must address more than the minimum reduction to its operating deficit required by AB 1840. Although the district recognizes the need for budget reductions, its leaders and staff also know that it needs to improve the condition of its facilities and instructional programs to stabilize enrollment. The district recognizes that special education costs associated with an inefficient and ineffective program continue to present a significant financial risk.

4. Instructional Improvement

Status

The county office support team is helping the district, with a focus on quality first teaching, professional development, leadership development and monitoring student progress.

The district has provided professional development on the English language arts core adopted literacy programs, conducted site visits to identify elements of the district's adopted literacy program and effective instructional practices, and provided ongoing cognitive coaching for district literacy coaches. The district provided training to administrators on the district's core curriculum and ways to support teaching and learning, as well as training in school safety, enrollment and attendance, and employee evaluation. The district has developed a process and schedule to ensure ongoing visits to monitor district-authorized charter schools. The district is being proactive in assessing charter schools; it has denied several charter petition renewals and recently challenged non-district-sponsored charter schools operating illegally within the district.

In collaboration with the county office and the CCEE, the district has worked to create a coherent theory of action based on standards-aligned curricula, sound instructional practices, targeted intervention, focused professional development, and the use of districtwide common assessments. In addition, the district has developed a professional development plan aligned with standards-based instruction, materials and districtwide assessments. The district has also developed and implemented two week-long sessions of summer professional development for teachers on the district's core curriculum.

5. Attendance Processes and Procedures

Status

County office staff continue to support the district's child welfare and attendance staff to ensure they develop and implement district procedures related to attendance record keeping, enrollment, and policies that address the unique needs of special populations.

Newly implemented procedures ensure streamlined attendance accounting, and a new accountability structure is in place to monitor compliance and support teachers and substitutes to promote accurate daily reporting of student attendance. An attendance and enrollment policy manual is being developed to standardize practices across sites and provide clear guidance to staff. These improvements should be reflected in higher attendance rates in the current and subsequent fiscal years; however, the current year's P1 attendance data does not show an increase.

6. System Support — Data Driven

Status

The county office has created support positions for the district to address critical needs. Two individuals were hired in May and June 2019 to support district systems and ensure efficiency and accuracy in data collection and reporting for special education, student information systems, early education, geospatial analysis, and enrollment. There is a need to standardize procedures for entering, reconciling and interpreting data, and to build capacity to use data to drive ongoing improvements.

Future FCMAT Updates in Support of DOF and Legislative Action

Future letters will include updates on the district's plans and actions, including those related to recommendations in the fiscal stabilization plan and other applicable planning. The district is working on its second interim report. Additional periodic reports will be made once the 2019-20 unaudited actuals are available (September 2020), and when other major milestones are reached.

FCMAT will also follow up and report on the status of the district's facilities consolidation and closure plan to ensure progress continues.

Sincerely,

Jennifer Noga
Intervention Specialist

Debbie Riedmiller
Intervention Specialist

cc: Dr. Debra Duardo, Los Angeles County Superintendent of Schools
Karen Stapf-Walters, Executive Director, California State Board of Education
Jeff Bell, Program Budget Manager, California Department of Finance
Jessica Holmes, Assistant Program Budget Manager, California Department of Finance
Lisa Constancio, Deputy Superintendent, California Department of Education
Dr. Erika Torres, County Administrator, Inglewood Unified School District

Exhibit A

Inglewood USD 2019-20 Fiscal Stabilization Plan — 2019-20 Adopted Budget

2019-20 Proposed Budget

Inglewood Unified School District

Fiscal Stabilization Plan 2019-20 Proposed Budget

No.	Description	One-time/ Ongoing	Adopted Budget 2019-20		MYP 2020-21		MYP 2021-22		Notes:
	Projected Operating Surplus (Deficit) - Ending		**18,555**	**#**	**(9,235,275)**	**#**	**(12,920,144)**	**#**	
	Planned Actions Not Contingent on Negotiations or Other Factors:								
1	Reduction in District Office Admin & Support Staff in 2020-21	*Ongoing*			395,760		395,760		
2	Reduction in 4 Custodian FTEs (district-wide) 2020-21	*Ongoing*			250,080		250,080		
3	Reduction in 14 classroom teacher FTEs for 2020-21	*Ongoing*			1,200,640		1,200,640		
4	Reduction in 2 FTEs Secondary Level Counselor Positions	*Ongoing*			213,000		213,000		
5	Reduction in District Office operating Budgets (10% in 2020-21)	*Ongoing*			175,000		175,000		
6	Reductions in School Site Budgets due to declining enrollment (5% in 2019-20)	*Ongoing*			125,000		125,000		
7	Facilities use Agreement (2 year) with Animo Green Dot	*One-time*			393,671		-		
8	Savings from full year closure of Woodworth Elementary and merger with Woodworth-Monroe K-8	*Ongoing*			300,000		300,000		
9	Reduction in 4 Special Education teacher positions due to declining enrollment	*Ongoing*			343,040		343,040		
10	Reduction 2 School Psychologist position from declining student enrollment	*Ongoing*			213,000		213,000		
11	Reduction of additional school site personnel due to declining enrollment and student needs	*Ongoing*			244,800		244,800		
12	Reduction in RRMA expenditures above the minimum 3% that were included in the 2019-20 budget to address some of the signficant maintenance needs of the district's facilities	*Ongoing*			715,370		715,370		
13	Reduction in security contract services and staff overtime	*Ongoing*			100,000		100,000		
14	Reduction in District Office Admin and Support Staff in 2021-22	*Ongoing*					693,360		
15	Reduction in 14 classroom teacher FTEs in 2021-22	*Ongoing*					1,200,640		
16	Reduction in 4 Special Education teacher positions due to declining enrollment	*Ongoing*					343,040		
17	Reduction in 2 Program Specialist FTE due to declining enrollment	*Ongoing*					210,560		
18	Reduction 2 School Psychologist position from declining student enrollment	*Ongoing*					213,000		
19	Reduction in District Office operating Budgets (10% in 2021-22)	*Ongoing*					175,000		
20	Reduction in District Office operating Budgets (5% in 2020-21)	*Ongoing*					125,000		
21	Reduction in 4 FTE School Custodian Positions	*Ongoing*					250,080		
22	Reduction in 4 FTE School Safety Assistant Positions	*Ongoing*					271,520		
23	Additional reductions to be planned by district for the 2021-22 school year OR revenue from property development and use opportunities	*Ongoing*					1,900,000		
	Total Planned Reductions and Other Budget Measures to Reduce Deficit (Not Contingent)				***4,669,361***		***9,657,890***		
	as a % of Total Operating Deficit				***51%***		***75%***		
	Deficit remaining after planned actions above:				**(4,565,914)**		**(3,262,254)**		
	as a % of Total Projected Operating Deficit				**49%**		**25%**		
	Planned Actions Contingent on External and Other Factors:								
1	Potential revenue from property development opportunities & use opportunities	*Ongoing*			500,000		1,500,000		Contingent on the outcome of process
2	Additional School Consolidation (savings on personnel, utilities, and operating costs)	*Ongoing*			-		400,000		Contingent on the outcome of process
					-		-		

Exhibit B

LACOE Response Letter — 2019-20 LCAP and Adopted Budget

September 16, 2019

Dr. Thelma Melendez de Santa Ana, State Administrator
Inglewood Unified School District
401 South Inglewood Avenue
Inglewood, CA 90301

Dear Dr. Melendez de Santa Ana:

Under Education Code (EC) Section 52070(d), the Los Angeles County Superintendent of Schools (County Superintendent) has completed our review of the Inglewood Unified School District's (District) Local Control and Accountability Plan (LCAP) for fiscal year 2019-20. The three criteria for LCAP approval per EC Section 52070(d) include:

1. Adherence to the State Board of Education (SBE) Template
2. Sufficient Expenditures in Budget to Implement LCAP
3. Adherence to SBE Expenditure Regulations

Through the review and oversight process, it has been determined that your District's LCAP has met all three criteria. **This letter serves as your District's notification of approval.**

We remind districts that Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula to increase and/or improve services to low-income, English learner and foster youth student populations. To properly serve these targeted student groups who generated the funding, it is expected that S&C grant dollars be fully expended each fiscal year

BUDGET APPROVAL

Under EC Section 42127, the County Superintendent has completed our review of your District's adopted budget for fiscal year 2019-20. **That review has resulted in approving the District's budget** with the following comments and concerns.

FISCAL STABILIZATION PLAN

The District submitted an update on its ongoing Fiscal Stabilization Plan (FSP), which includes combined contingent and non-contingent cost savings and revenue enhancements totaling $4.7 million in 2020-21, and an additional $5.0 million in 2021-22. The District is also relying on additional apportionments under AB 1840 to meet the required reserve levels in 2020-21 and 2021-22, which are included as unallocated reductions in the District's multi-year projections to balance the budget.

It is critical that the District implement the cost savings and revenue enhancements identified in the adopted FSP. Without the cost savings of $4.7 million in 2020-21 and $5.0 million in 2021-22, the District may not be able to meet the conditions set forth in Assembly Bill (AB) 1840 to receive the additional State apportionments necessary to restore reserves to the minimum required level in those years. **The District is required to submit an updated FSP that provides the implementation status of the planned reductions, including alternative options for contingent expenditure reductions and revenue enhancements, along with its 2019-20 First Interim Report, due to the Los Angeles County Office of Education (LACOE) on or before December 16, 2019.**

RESERVE FOR ECONOMIC UNCERTAINTIES

The District is projecting a reserve of 4.04 percent for 2019-20, 4.36 percent for 2020-21, and 4.49 percent for 2021-22. While the projected reserves meet the State Criteria and Standards minimum reserve requirement, the District included and is relying on additional apportionments under AB1840 of $4.6 million in 2020-21 and $5.2 million in 2021-22 to achieve a balanced budget and to meet the minimum required reserve levels. To qualify for additional funds in 2019-20 and 2020-21, AB 1840 mandates that the District must meet the requirements for a qualified or positive certification for the District's 2018-19 Second Interim Report.

DECLINING ENROLLMENT AND REDUCED STATE FUNDING

The District's 2019-20 Adopted Budget reflects significant ongoing declining enrollment with projected average daily attendance (ADA) of 7,021 for 2019-20, 6,643 for 2020-21, and 6,306 for 2021-22. The estimated impact of the declining enrollment on the District's projected ADA reflects a two-year loss totaling 715 ADA, representing a 10.2 percent decrease from the District's 2019-20 ADA. This rate of decline in enrollment, if continued as projected, represents a loss of revenue for the District in the current and future years. We recommend that the District continue to assess and adjust its staffing needs and facilities planning for upcoming years based on the projected rate of decline in enrollment.

Declining enrollment districts with charter schools must also consider the effect of the movement of district ADA to district-authorized charter schools. ADA for students who attended a district non-charter the previous year, and who now attend a district-authorized charter, is deducted from prior year ADA for purposes of calculating declining enrollment ADA.

We remind the District that EC Section 42238.5(a)(1) allows districts with declining attendance to continue to receive funding based on **the greater of** prior year or current year actual attendance. This provides a one-year delay for the loss of revenue due to declining enrollment/attendance. However, the District will lose State funding over time as the decline in enrollment continues and it must carefully monitor enrollment trends and adjust its financial projections accordingly for the current and subsequent fiscal years if further material reductions in enrollment occur or are expected to occur.

SPECIAL EDUCATION COSTS

The District's contributions to restricted programs have increased substantially over the past three years, due primarily to unplanned increases in Special Education program expenditures. We remain concerned about the additional financial strain the increasing program expenditures have on the General Fund, and the District's ability to remain solvent.

In an effort to contain costs, the County Office, in collaboration with the California Collaborative for Educational Excellence (CCEE) and District staff, has assembled a team to provide focused technical assistance to the District, and assist in identifying program inefficiencies and budget overages. The team has focused on the District's Special Education program, with a focus on systems, compliance monitoring, policy development, and professional development. More specifically, the team has worked collaboratively with CCEE in developing a Special Education Policy and Procedures Manual, helped develop a process to resolve a backlog of non-compliant Individualized Education Programs (IEPs), developed a process for service and budget monitoring to ensure expenditures align with budget allocations, developed a student monitoring roster to support service and budget alignment, and supported the District in the development of organizational structures and resource allocation for staff.

Additional resources have also been retained to support the District's Special Education program, with a focus on systems, compliance monitoring, policy development, and professional development.

CASH FLOW

The District is projecting low cash balances for the months of August, September and November 2019. The projected month-end cash balances are not sufficient to cover the following months' budgeted salary and benefit expenditures. Information included with the District's 2019-20 Adopted Budget does not include any plans for addressing these projected cash shortages; however, the District does have cash available in other funds for borrowing to address this or any potential shortfalls. It is advisable that districts have a Board-approved temporary cash borrowing resolution in place at the beginning of each fiscal year. Please refer to Informational Bulletin (IB)

No. 5007, dated June 12, 2019, for instructions and sample resolutions. We request that the District notify the County Office immediately if a cash shortfall is projected that cannot be covered through local means.

2019-20 BUDGET REVISIONS AFTER STATE BUDGET ADOPTION

Since the District's budget assumptions may have changed from the Board adopted budget as a result of the State Adopted Budget and trailer legislation, this is a reminder that EC 42127(i)(4) states:

> "Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act."

Districts should take steps to make any necessary adjustments to their adopted budget. The adjustments should be submitted to the Los Angeles County Office of Education upon Governing Board approval. Please refer to IB No. 5031 titled "Budget and 45 Day Revision Process for 2019-20 and County Office of Education (COE) Budget Approval" dated July 12, 2019, for additional information. This bulletin can be found at the following website:

https://www.lacoe.edu/Bulletins.aspx

DEBT ISSUANCE

This letter also serves as a reminder of the statutory requirements placed on debt issuance by school districts with qualified or negative interim report certifications. These requirements are specifically addressed by EC Section 42133 (a).

INDEPENDENT CHARTER SCHOOLS OVERSIGHT

EC Section 47604.32 requires authorizing districts to ensure each charter school under its authority complies with all reports required by law, and to monitor the fiscal solvency of those charter schools. While all the Charter Schools are projecting positive ending balances for the 2019-20 Adopted Budget, EC Section 47604(c) specifies that an authorizing entity is not liable for the debts or obligations of an insolvent charter school if it has complied with all oversight responsibilities required by law. Therefore, we remind the District of their oversight responsibilities and the potential negative effect of the charter school's liabilities on the District's General Fund and reserves.

SUBMISSION OF STUDIES, REPORTS, EVALUATIONS, AND/OR AUDITS

EC Sections 42127 and 42127.6 require districts to submit to the County Superintendent any studies, reports, evaluations, or audits completed of the district that contain evidence that the district is showing fiscal distress. They also require the County Superintendent to incorporate that information into our analysis of budgets, interim reports, and the district's overall financial condition.

The District recently entered into agreements with School Services of California and Pupil Transportation Information LLC to conduct a comprehensive review of the District's operations. The District is requested to submit the final reports from these reviews once received.

We kindly remind the District to submit any such documents to this office that are commissioned by the District (e.g., reports completed by the Fiscal Crisis and Management Assistance Team (FCMAT), et al.), by the State Superintendent of Public Instruction, and/or a State control agency or internal audit division any time they are received by the District.

LACOE SUPPORT TEAM

In support of the District's efforts to achieve long-term stability and local control, the County Office has assembled a team to provide focused technical assistance to the District, and implement the requirements of AB 1840. The LACOE team, in collaboration with District leadership, developed an Action Plan to guide the District. Notable progress has been made to date, with achievements in each of the following focus areas:

- AB 1840 Compliance
- Facilities Consolidation and Closure
- Budget and Business Operations
- Improved Instruction
- Special Education

The LACOE team and CCEE have been working alongside District leadership to implement recommended strategies, assess progress on the comprehensive action plan, and providing any needed support.

CONCLUSION

The County Office continues to support the District's efforts to fully implement the FSP and ensure cost savings are realized as projected. We will work closely with officials at the California Department of Education (CDE), FCMAT, CCEE, and the State Administrator and staff to monitor the District's progress towards full recovery. The multiyear projections, narrative and assumptions provided were helpful in our analysis and in verifying the District's fiscal condition

We wish to express our appreciation to the District's staff for their cooperation during our review of the District's LCAP and adopted budget for fiscal year 2019-20. If you have questions regarding your District's LCAP approval, please call Jeanne Keith at (562) 922-6354. If you have questions regarding your District's budget approval, please call Jennifer Kirk at (562) 922-6508.

Sincerely,

Patricia Smith
Chief Financial Officer
Business Services

Arturo Valdez
Chief Academic Officer
Educational Services

PS/AV/KC/JY/RC/JK:vb

cc: Tony Thurmond, State Superintendent of Public Instruction, CDE
Lupita Cortez Alcalá, Chief Deputy Superintendent of Public Instruction, CDE
Lesley Taylor, Education Administrator, Office of the Deputy Superintendent, CDE
Lisa Constancio, Director, CDE
Betty Yee, California State Controller
Michael H. Fine, Chief Executive Officer, Fiscal Crisis and Management Assistance Team
Christine M.I. Dacanay, Interim Chief Business Official, Inglewood Unified School District (IUSD)
Lourdes Hale, Executive Director of State and Federal Programs IUSD
Debra Duardo, M.S.W., Ed.D., Los Angeles County Office of Education (LACOE)
Erika F. Torres, Ed.D., M.S.W., LACOE
Keith Crafton, LACOE
Jeff Young, LACOE
Jennifer Kirk, LACOE
Rick Chau, LACOE
Tracy Minor, LACOE
Nkeiruka Benson, LACOE
Dina Wilson, LACOE
Bonnie McFarland, LACOE
Jeanne Keith, LACOE

Exhibit C

LACOE Response Letter — 2019-20 First Interim

Los Angeles County Office of Education

Serving Students ▪ Supporting Communities ▪ Leading Educators

January 15, 2020

Dr. Erika F. Torres, County Administrator
Inglewood Unified School District
401 South Inglewood Avenue
Inglewood, CA 90301

Dear Dr. Torres:

Under Education Code (EC) Section 42131, the Los Angeles County Superintendent of Schools (County Superintendent) has completed our review of the Inglewood Unified School District's (District) 2019-20 First Interim Report. Our analysis of the data provided indicates that the District may not meet its financial obligations for 2020-21 and 2021-22 without implementing a Board-approved Fiscal Stabilization Plan (FSP) identifying cost reductions and/or revenue enhancements that restore and maintain the required minimum Reserve for Economic Uncertainties (REUs). **We therefore concur with the District's qualified certification** and offer our comments and concerns below.

SPECIAL EDUCATION COSTS

The District's contributions from its unrestricted General Fund to support the Special Education program have increased substantially over the past three years, due primarily to unplanned increases in program expenditures, which exceed the revenues received for these services. Significant resources have been retained to assist the District in identifying program inefficiencies and budget overages, and to provide focused technical assistance to the District. Even so, the District has continued to experience escalating costs for required services, and the 2019-20 First Interim Report reflects an increase of $2.0 million in contributions from the unrestricted General Fund over the 2019-20 Adopted Budget.

We continue to remain extremely concerned about the additional financial strain the increasing program expenditures have on the General Fund, and the District's ability to remain solvent. We are also concerned about the impact any additional unanticipated increases will have on deficit spending, and the District's ability meet its reserve and financial obligations in future years. These concerns align with the Fiscal Crisis and Management Assistance Team (FCMAT) Indicators of Risk or Potential Insolvency related to special education.

We request the District provide a plan with proposed initiatives that address and rectify these escalating expenditures with its 2019-20 Second Interim Report, due to the Los Angeles County Office of Education (LACOE) on or before March 16, 2020.

FISCAL STABILIZATION PLAN

The District submitted an update on its ongoing FSP, which includes combined contingent and non-contingent cost savings and revenue enhancements totaling $6.3 million in 2020-21, and an additional $5.3 million in 2021-22. The District is also relying on additional apportionments under AB 1840 to meet the required reserve levels in 2020-21 and 2021-22, which are included as unallocated reductions in the District's multi-year projections to balance the budget.

It is critical that the District implement the cost savings and revenue enhancements identified in the adopted FSP. Without the cost savings of $6.3 million in 2020-21 and the additional $5.3 million in 2021-22, the District may not be able to meet the conditions set forth in Assembly Bill (AB) 1840 to receive the additional State apportionments necessary to restore reserves to the minimum required level in those years. **The District is required to submit an updated FSP that provides the implementation status of the planned reductions, including alternative options for contingent expenditure reductions and revenue enhancements, along with its 2019-20 Second Interim Report, due to the Los Angeles County Office of Education (LACOE) on or before March 16, 2020.**

DEFICIT SPENDING

The District is projecting an operating deficit of approximately $900,000, representing 1.34 percent of the District's unrestricted General Fund budgeted expenditures and other outgo for fiscal year 2019-20. According to our review of the District's First Interim Report data and assumptions, and as confirmed by the District, the projected deficit is primarily due to a significant increase in contribution to restricted programs for increased Special Education program expenditures. While the District projects it will maintain the required level of reserves, this level of deficit spending should be recognized and monitored so it remains manageable. We are especially concerned about the impact any additional unplanned increases.

RESERVE FOR ECONOMIC UNCERTAINTIES (REU)

The District's First Interim Report projects an REU of 3.23 percent for 2019-20, 3.63 percent for 2020-21, and 3.65 percent for 2021-22. While the projected reserves meet the State Criteria and Standards minimum reserve requirement, the District included and is relying on additional apportionments under AB1840 of $6.2 million in 2020-21 and $3.7 million in 2021-22 to achieve a balanced budget and to meet the minimum required reserve levels.

To qualify for additional funds in 2020-21 and 2021-22, AB 1840 mandates that the District completes activities as specified in the prior year Budget Act to improve its fiscal solvency.

LABOR CONTRACT NEGOTIATIONS

We have received your AB 1200 public disclosure document indicating that an agreement between the District and the Inglewood Teachers Association bargaining unit was approved by the County Administrator on September 11, 2019. The agreement provides for an increase in the number of working days for school counselors, and changes the hourly salary range rate for Adult Education teachers, for a total compensation increase of approximately $193,000. The ongoing cost of the settlement is reflected in the District's First Interim report, and the District will continue to maintain the minimum required level of reserves with planned reductions per the FSP as noted above.

DECLINING ENROLLMENT AND REDUCED STATE FUNDING

The District's 2019-20 First Interim Report reflects declining enrollment with projected funded average daily attendance (ADA) of 8,195 for 2019-20, 7,855 for 2020-21, and 7,515 for 2021-22. The estimated impact of the declining enrollment on the District's projected ADA reflects a two-year loss totaling 680 ADA, representing a 8.30 percent decrease from the District's 2019-20 ADA. This rate of decline in enrollment, if continued as projected, represents a loss of revenue for the District in the current and future years. We recommend that the District continue to assess and adjust its staffing needs and facilities planning for upcoming years based on the projected rate of decline in enrollment.

Declining enrollment districts with charter schools must also consider the effect of the movement of district ADA to district-authorized charter schools. ADA for students who attended a district non-charter the previous year, and who now attend a district-authorized charter, is deducted from prior year ADA for purposes of calculating declining enrollment ADA.

We remind the District that EC Section 42238.5(a)(1) allows districts with declining attendance to continue to receive funding based on **the greater of** prior year or current year actual attendance. This provides a one-year delay for losing revenue due to declining enrollment/attendance. However, the District will lose State funding over time as the decline in enrollment continues and it must carefully monitor enrollment trends and adjust its financial projections accordingly for the current and subsequent fiscal years if further material reductions in enrollment occur or are expected to occur.

CHARTER SCHOOLS OVERSIGHT

Education Code Section 47604.32 requires authorizing districts to ensure each charter school under its authority complies with all reports required by law, and to monitor the fiscal solvency of those charter schools. While all the Charter Schools are projecting positive ending balances for the 2019-20 First Interim, EC Section 47604(c) specifies that an authorizing entity is not liable for the debts or obligations of an insolvent charter school if it has complied with all oversight responsibilities required by law. Therefore, we remind the District of their oversight responsibilities and the potential negative effect of the charter school's liabilities on the District's General Fund and reserves.

COUNTY OFFICE ANNUAL REPORT

Pursuant to the provisions of EC Section 1240(e) under AB 139, the County Superintendent is required to present an annual report to the school district's governing board and the Superintendent of Public Instruction regarding the fiscal solvency of any school district with a disapproved budget, a qualified or negative interim certification, or that has been determined at any time during the year to be in a position of fiscal uncertainty as identified in EC 42127.6. This County Office report will be issued to the District prior to the statutory due date.

DEBT ISSUANCE

This letter also serves as a reminder of the statutory requirements placed on debt issuance by school districts with qualified interim report certifications. These requirements are specifically addressed by EC Section 42133(a) and are required in the current and next succeeding fiscal year.

SUBMISSION OF STUDIES, REPORTS, EVALUATIONS, AND/OR AUDITS

EC Sections 42127 and 42127.6 require districts to submit to the County Superintendent any studies, reports, evaluations, or audits completed of the district that contain evidence that the district is showing fiscal distress. They also require the County Superintendent to incorporate that information into our analysis of budgets, interim reports, and the district's overall financial condition.

We remind the District to submit any such documents to this office that are commissioned by the District (e.g., reports completed by the Fiscal Crisis and Management Assistance Team), or by the State Superintendent of Public Instruction, and/or a State control agency, and an internal audit division any time they are received by the District.

LACOE SUPPORT TEAM

The LACOE Support team, in collaboration with California Collaborative for Educational Excellence and District leadership, continue to work on implementing strategies identified in the Action Plan, and to guide the District towards local control and long-term stability. Progress continues to be made in each of the identified focus areas, including AB1840 Compliance, and Special Education program services and cost containments.

CONCLUSION

We recognize the challenges the District faces in implementing policies and processes to achieve long-term stability. The County Office is fully committed to supporting the District's efforts to implement the FSP and ensure cost savings are realized as projected. We will continue to work closely with officials at the California Department of Education, FCMAT, the County Administrator and District staff to support the District's progress towards full recovery.

Thank you for providing documentation that supports the District's qualified certification. The multiyear projections, with narrative and assumptions, were helpful in our analysis of the 2019-20 First Interim Report and in verifying the District's financial condition.

The information provided reflects the District's financial position and assumptions as of October 31, 2019, and further adjustments will be made during the year as additional data becomes available. We hope these comments are helpful to the District's administration and Board as you plan for the remainder of 2019-20, and develop your projections for 2020-21 and 2021-22. We express our appreciation to the District staff for their cooperation during the review of the 2019-20 First Interim Report. If our office may be of further assistance, please call Keith D. Crafton at (562) 922-6131, or Jennifer Kirk at (562) 922-6508.

Sincerely,

Patricia Smith

Patricia Smith
Chief Financial Officer
Business Services

PS/KC/JY/RC/JK:vb

cc: Lisa Constancio, Deputy Superintendent, California Department of Education
Betty T. Yee, California State Controller

Christine M.I. Dacanay, Chief Business Official, Inglewood Unified School District
Michael H. Fine, Chief Executive Officer, Fiscal Crisis and Management Assistance Team
Debra Duardo, M.S.W., Ed.D., Los Angeles County Office of Education (LACOE)
Keith Crafton, LACOE
Jeff Young, LACOE
Jennifer Kirk, LACOE
Rick Chau, LACOE
Tracy Minor, LACOE
Nkeiruka Benson, LACOE

Exhibit D

Inglewood USD 2019-20 Fiscal Stabilization Plan — First Interim

2019-20 First Budget

Inglewood Unified School District

Fiscal Stabilization Plan 2019-201st Interim Budget

		One-time/ Ongoing	Adopted Budget 2019-20		MYP 2020-21		MYP 2021-22	Notes:
	Projected Operating Surplus (Deficit) - Ending		21,903	#	(12,578,749)	#	(14,809,198)	
	Planned Actions Not Contingent on Negotiations or Other Factors:							
1	Reduction in District Office Admin & Support Staff in 2020-21	*Ongoing*			317,000		317,000	
2	Reduction in Maintenance and Operations (district-wide) 2020-21	*Ongoing*			823,080		250,080	
3	Reduction in certificated positions for 2020-21	*Ongoing*			2,494,240		2,494,240	
4	Reallocation of Categorical Funding	*Ongoing*			386,165		386,165	
5	Reduction in District Office operating Budgets (10% in 2020-21)	*Ongoing*			175,000		175,000	
6	Reductions in School Site Budgets due to declining enrollment	*Ongoing*			390,000		390,000	
7	Facilities use Agreement (2 year) with Animo Green Dot	*One-time*			393,671			
8	Savings from full year closure of Woodworth Elementary and merger with Woodworth-Monroe K-8	*Ongoing*			300,000		300,000	
11	Reduction of additional school site personnel due to declining enrollment and student needs	*Ongoing*			144,800		144,800	
12	Reduction in RRMA expenditures above the minimum 3% that were included in the 2019-20 budget to address some of the signficant maintenance needs of the district's facilities	*Ongoing*			715,370		715,370	
13	Reduction in security contract services and staff overtime	*Ongoing*			200,000		200,000	
14	Reduction in District Office Admin and Support Staff in 2021-22	*Ongoing*					693,360	
15	Reduction in certificated positions for 2020-21	*Ongoing*					1,967,240	
19	Reduction in District Office operating Budgets (10% in 2021-22)	*Ongoing*					175,000	
20	Reduction in District Office operating Budgets (5% in 2020-21)	*Ongoing*					125,000	
21	Reduction in Maintenance and Operations (district-wide) 2020-21	*Ongoing*					250,080	
22	Reduction in security contract services and staff overtime	*Ongoing*					271,520	
23	Additional reductions to be planned by district for the 2021-22 school year OR revenue from property development and use opportunities	*Ongoing*					2,300,000	
	Total Planned Reductions and Other Budget Measures to Reduce Deficit (Not Contingent)				*6,339,326*		*11,154,855*	
	as a % of Total Operating Deficit				*50%*		*75%*	
	Deficit remaining after planned actions above:				(6,239,423)		(3,654,343)	
	as a % of Total Projected Operating Deficit				50%		25%	
	Planned Actions Contingent on External and Other Factors:							
1	Potential revenue from property development opportunities & use opportunities	*Ongoing*					1,500,000	Contingent on the outcome of process
2	Additional School Consolidation (savings on personnel, utilities, and operating costs)	*Ongoing*					400,000	Contingent on the outcome of process
							-	
	Planned Actions Contingent on External and Other Factors:						*1,900,000*	
	as a % of Total Operating Deficit						*13%*	
	Operating Deficit after District Stabilization Measures Are Enacted				(6,239,423)		(3,654,343)	
	PROJECTED: **AB 1840 State Revenues**				6,239,423		3,654,343	
					50%		*25%*	

For 2019-20, 2020-21, and 2021-22 assumes that RDA funds of $1.4 million will be received and used to meet RRMA a portion of the required contribution for maintenance

Exhibit E

FCMAT MYFP for Inglewood USD

Inglewood Unified School District										
3/2/2020		2019-20 1st Interim UNRESTRICTED	2019-20 1st Interim RESTRICTED	2019-20 Combined	2020-21 Projected UNRESTRICTED	2020-21 Projected RESTRICTED	2020-21 Combined	2021-2022 Projected UNRESTRICTED	2021-2022 Projected RESTRICTED	2021-2022 Combined
Funded ADA - IUSD		7,434.91			7,062.48			6,734.36		
Funded ADA - La Tijera Charter		763.20			802.01			856.81		
Percentage change in ADA from Prior Year				-6.55%			-4.07%			-3.48%
Statutory COLA %		3.2600	3.2600		2.2900	2.2900		2.7100	2.7100	
CPI		3.0900	3.0900		2.9900	2.9900		2.8900	2.8900	
Lottery per ADA		153.00	54.00		153.00	54.00		153.00	54.00	
	OBJECT									
A. REVENUE										
1. LCFF Sources	8010-8099	93,977,015	0	93,977,015	92,412,373	0	92,412,373	91,116,559	0	91,116,559
Prior Year Adjustments	8019/8091			0			0	0		0
2. Federal Revenues	8100-8299	5,000	14,811,516	14,816,516	5,000	10,559,498	10,564,498	5,000	10,559,498	10,564,498
3. Other State Revenues	8300-8599	1,583,107	6,657,236	8,240,343	1,525,874	6,548,471	8,074,345	1,472,201	6,532,006	8,004,207
Sp Ed Preschool one-time		982,086	0	982,086	0	0	0	0	0	0
AB 1840 Revenues		3,633,000			0			0		
4. Other Local Revenues	8600-8799	1,119,671	1,700,422	2,820,093	1,109,671	1,661,777	2,771,448	706,000	1,661,777	2,367,777
		0	0		0	0		0	0	
TOTAL REVENUE		**101,299,879**	**23,169,174**	**124,469,053**	**95,052,918**	**18,769,746**	**113,822,664**	**93,299,760**	**18,753,281**	**112,053,041**
B. EXPENDITURES										
Base Salaries	1000 - 1999	29,078,567	11,351,406	40,429,973	29,078,567	11,351,406	40,429,973	29,165,307	11,525,424	40,690,732
2019-20 open positions					1,459,771	441,905		0		
Step & Column	1.00%	0	0	0	288,765	114,113	402,879	276,083	109,305	385,388
2020-21 FSP Staff Reductions	0.00%	0	0	0	(1,661,796)	(382,000)	(2,043,796)	0	0	0
2021-22 FSP Staff Reductions	0.00%	0	0	0	0	0	0	(1,557,000)	(530,000)	(2,087,000)
Total Certificated Salaries		**29,078,567**	**11,351,406**	**40,429,973**	**29,165,307**	**11,525,424**	**40,690,732**	**27,884,390**	**11,104,729**	**38,989,119**
				0			0			0
Base Salaries	2000 - 2999	9,018,862	6,296,236	15,315,098	9,018,862	6,296,236	15,315,098	9,540,739	6,658,456	16,199,195
2019-20 open positions					504,004	296,295				
Step & Column	1.00%	0	0	0	89,473	65,925	155,398	92,367	66,585	158,952
2020-21 FSP Staff Reductions	0.00%	0	0	0	(71,600)	0	(71,600)	0	0	0
2021-22 FSP Staff Reductions	0.00%			0			0	(304,000)		(304,000)
Total Classified Salaries		**9,018,862**	**6,296,236**	**15,315,098**	**9,540,739**	**6,658,456**	**16,199,195**	**9,329,106**	**6,725,041**	**16,054,147**
TOTAL SALARIES:		**38,097,429**	**17,647,642**	**55,745,071**	**38,706,046**	**18,183,880**	**56,889,926**	**37,213,496**	**17,829,770**	**55,043,266**
3. Employee Benefits	3000-3999	9,629,803	4,343,595	13,973,398	11,053,623	5,038,078	16,091,700	10,795,448	5,047,973	15,843,421
Health benefits		7,370,724	3,258,424	10,629,148	7,724,519	3,414,828	11,139,347	8,334,756	3,684,600	12,019,356
Total Employee Benefits		**17,000,527**	**7,602,019**	**24,602,546**	**18,778,141**	**8,452,906**	**27,231,047**	**19,130,204**	**8,732,573**	**27,862,777**
4. Books and Supplies	4000-4999	1,347,766	3,382,027	4,729,793	1,119,554	2,212,702	3,332,256	402,398	1,434,175	1,836,573
5. Services, Other Op.	5000-5999	8,666,940	22,679,235	31,346,175	8,373,276	23,929,790	32,303,066	8,440,344	24,299,629	32,739,972
6. Capital Outlay	6000-6999	8,844	75,000	83,844	8,844	125,000	133,844	8,844	125,000	133,844
7. Other Outgo	7100-7299	292,795	3,563,644	3,856,439	292,795	3,741,826	4,034,621	292,795	3,928,917	4,221,712
8. Direct/Indirect Costs	7300-7399	(1,632,302)	1,241,188	(391,114)	(1,300,706)	909,592	(391,114)	(1,253,135)	862,021	(391,114)
9. Debt Service	7400-7499	1,831,984	0	1,831,984	1,831,984	0	1,831,984	1,831,984	0	1,831,984
10. Other Adjustments								(1,900,000)		(1,900,000)
TOTAL EXPENDITURES		**65,613,983**	**56,190,755**	**121,804,738**	**67,809,933**	**57,555,697**	**125,365,630**	**64,166,930**	**57,212,084**	**121,379,015**
C. EXCESS/DEFICIENCY		35,685,896	(33,021,581)	2,664,315	27,242,985	(38,785,951)	(11,542,966)	29,132,830	(38,458,803)	(9,325,974)
D. OTHER SOURCES										
1. Interfund Transfers In	8910-8929	0	0	0	0	0	0	0	0	0
2. Interfund Transfers Out	7610-7629	0	0	0	0	0	0	0	0	0
3. Other Sources In	8930-8979	0	0	0	0	0	0	0	0	0
4. Other Uses Out	7630-7699	0	0	0	0	0	0	0	0	0
5. Contrib./Restricted Programs	8980-8999	(36,131,036)	36,131,036	0	(36,513,109)	36,513,109	0	(38,768,087)	38,768,087	0
		0								
TOTAL SOURCES/USES		(36,131,036)	36,131,036	0	(36,513,109)	36,513,109	0	(38,768,087)	38,768,087	0
Change to Fund Balance		(445,140.00)	3,109,455.00	2,664,315.00	(9,270,124.10)	(2,272,842.30)	(11,542,966.40)	(9,635,257.03)	309,283.30	(9,325,973.73)
F. FUND BALANCE, RESERVES										
NET BEGINNING BALANCE:		5,986,776	1,260,455	7,247,231	4,233,184	4,369,910	8,603,094	(5,036,940)	2,097,067	(2,939,873)
AUDIT ADJUSTMENT		(1,308,452)	0	(1,308,452)			0			0
RESTATEMENTS				0			0			0
ENDING BALANCE:		**4,233,184**	**4,369,910**	**8,603,094**	**(5,036,940)**	**2,097,067**	**(2,939,873)**	**(14,672,197)**	**2,406,351**	**(12,265,847)**
COMPONENTS OF ENDING BALANCE:										
REVOLVING CASH		100,000	0	100,000	100,000	0	100,000	100,000	0	100,000
PREPAID				0			0			0
STORES		80,000	0	80,000	80,000	0	80,000	80,000	0	80,000
REQUIRED RESERVE	**3.00%**	3,654,143	0	3,654,143	3,760,969	0	3,760,969	3,641,371	0	3,641,371
Legally Restricted			4,369,910	4,369,910		2,097,067	2,097,067		2,406,351	2,406,351
Other Assignments		0		0	0		0	0		0
		0		0	0		0	0		0
		0		0	0		0	0		0
UNAPPROPRIATED		**399,040.77**	**0.00**	**399,040.77**	**(8,977,909.33)**	**0.00**	**(8,977,909.33)**	**(18,493,568.36)**	**0.00**	**(18,493,568.36)**