March 1, 2021

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 Nancy Skinner, Chair
California State Senate Committee on Budget and Fiscal Review
State Capitol, Room 5019
Sacramento, CA 95814

Dear Director Bosler, Chairperson Skinner 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) responsibilities with regard to Inglewood Unified School District under Assembly Bill (AB) 1840 (Chapter 426/2018).

Exhibits A through J are available by clicking here.

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 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 determines that the county administrator should be replaced, the appointment of the next county administrator would follow the provisions of AB 1840. These specifically require the county administrator to 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 the following:

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, fiscal solvent budgets and budget plans.

   (4) Qualifications 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 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 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 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 schools outstanding child development reimbursement liability to the state.

The Budget Act of 2020, Senate Bill (SB) 74 (Chapter 6/2020, Section 2), approved by the governor on June 29, 2020, made an appropriation contingent on the district's completion of both of the following: 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.

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. Located in Los Angeles County, it encompasses nine square miles and is approximately 13 miles southwest of the city of Los Angeles. The district serves approximately 7,950 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, five TK-6 schools, three TK-7 school, one preschool through grade eight 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 1,056 students included in the 7,950 students referenced above. Seven independent charter schools are also located in the district, five of which are authorized by the district.

Approximately 25.2% of the district's students speak a language other than English at home, and 81.5% 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 85.3%. Based on the district's fiscal year 2020-21 first interim report, the district is expected to have combined unrestricted and restricted revenue of $152 million and expenditures of $134 million. The district's projected June 30, 2020 unrestricted ending fund balance is $27.5 million.

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 of $55 million or less directly from the state's general fund 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, 2020, the district owed $23,580,931. 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. Pursuant to Section 102 of SB 98 (Chapter 24/2020), and as a result of the pandemic, FCMAT's annual comprehensive review was omitted for the 2019-20 fiscal year. FCMAT's annual comprehensive review has resumed as scheduled for the 2020-21 fiscal year. The last annual review dated July 2019, includes 835 recommendations for improvement and recovery related to each identified standard. These recommendations 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 2020-21

In mid-March 2020, the COVID-19 pandemic caused severe negative economic impacts worldwide. California schools were closed for in-person instruction and school districts like Inglewood USD were immediately left to determine how to provide instruction to students remotely. In response to the COVID-19 pandemic the governor's May Revision contained significant cuts to school districts including a 10% reduction to the LCFF revenues, which included the suspension of the cost-of-living adjustment (COLA), cash deferrals, and cuts to numerous categorical programs. As outlined below, the final enacted budget differed from the May revision significantly.

As previously discussed in our November 10, 2020 letter, the county administrator approved the district's 2020-21 adopted budget on June 29, 2020 (Exhibit A). At the time of its approval, the final state Budget Act and trailer bills were not incorporated in the district's adopted budget. Additionally, employee benefit plan revisions had not been included because they were still pending approval by the district's benefits committee. The district stated these changes and potentially others would be incorporated into the 45-day budget revision. The adopted budget as submitted to the county superintendent showed a 4.59% reserve for economic uncertainties for fiscal year 2020-21, 1.98% for 2021-22, and -13.90% for 2022-23. To meet the reserve requirement, the district's budget included one-time AB 1840 revenues of $5.8 million in fiscal year 2020-21 and $3.8 million in fiscal year 2021-22. Under AB 1840 one of the conditions for the district to be considered for state assistance is that it meet the requirement of a positive budget certification in 2020-21 to qualify for additional funds. Even with the inclusion of the AB 1840 funds in fiscal year 2021-22, the district shows negative reserves, indicating that it must be more aggressive in identifying and implementing additional ongoing cost reductions and/or revenue increases.

After the approval of the district's adopted budget, the enacted 2020-21 state budget included the suspension of the COLA, but replaced further cuts to the LCFF and existing categorical programs with increased cash deferrals, provided temporary reductions to employer contribution rates for employees pensions and included substantial one-time federal and state funds for costs due to the COVID-19 pandemic. Because of the significant differences in the governor's May revision and the final adopted budget, local educational agencies (LEAs) were required to submit a 45-day revised budget.

In a letter dated September 15, 2020, the county superintendent approved the district's adopted budget, which acknowledged that the county administrator had approved a 45-day budget revision on August 12, 2020. The revision reflected the restoration of LCFF funding from the May revise proposal of a 10% deficit to the LCFF revenues as well as the suspension of $7.5 million to the COLA, which left the district with a projected unrestricted surplus of approximately $6.1 million in the unrestricted ending fund balance for fiscal year 2020-21. A more extensive review of the district's multiyear projections shows that the district's restricted budget for the two subsequent fiscal years ends with a negative ending fund balance that ultimately impacts the unrestricted ending fund balance in those same fiscal years. FCMAT recognizes that the county superintendent has discretion to approve or disapprove budgets based on the established criteria and standards. However, the county superintendent had the opportunity to conditionally approve the budget and require the district to submit a revised multiyear projection that included the 45-day budget revisions and the analysis of the 2019-20 unaudited actuals and address all inaccuracies reported in the restricted budget for the two subsequent fiscal years.

The district's adopted budget projects $41.4 million in operating deficits in Fund 21 – Building Fund and $2.1 million in Fund 40 – Special Reserve Fund for Capital Outlay Projects. Therefore, the county superintendent required the district to prepare and submit budget adjustments and a narrative that restores both funds to positive ending fund balances with the district's first interim report. These concerns were addressed in the district first interim report. The district's Fund 21 – Building Fund is only projecting a $29 million deficit, but the beginning fund balance is sufficient to absorb this, and Fund 40 – Special Reserve Fund for Capital Outlay Projects is no longer projecting an operating deficit. A copy of LACOE's approval letter is included in this letter as Exhibit B. The county superintendent should have also considered these negative fund balance conditions in the decision to approve, disapprove or conditionally approve the district's budget. Negative fund balances are a significant fiscal stability factor.

The district continues to experience declining enrollment caused by both declining birthrates and the number of students who reside within the boundaries. The projected ADA is estimated to be 7,564 in 2020-21, 7,275 in 2021-22, and 6,973 in 2022-23. Additionally, the number and size of charter schools that operate both within and outside, but adjacent to, the district's boundaries have a direct impact on enrollment. To ensure funding stability regardless of a district's instructional model, the enacted state budget includes a pandemic hold harmless provision for 2020-21 ADA. To estimate a district's LCFF apportionment in fiscal year 2020-21, the hold harmless provision uses a district's 2019-20 P-2 attendance in place of reporting attendance for current year apportionment. While the hold harmless provision provides a one-year reprieve of the impact of declining enrollment in fiscal year 2020-21. Then the traditional declining enrollment ADA hold harmless will provide an additional reprieve from the impact in 2021-22. The district should be prepared for the impact of the diminished LCFF revenues in fiscal year 2022-23 and beyond as a result of the declines in enrollment catching up to the ADA computation.

State and Federal Coronavirus Relief Funds

In response to COVID-19 the Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. Three main funding sources from the CARES Act that were apportioned to California schools are the Elementary and Secondary Emergency Relief Fund (ESSER I), which accounts for approximately $1.6 billion, the Governor's Emergency Education Relief Fund (GEER), which accounts for approximately $355 million, and the Coronavirus Relief Fund (CRF), which accounts for approximately $4.4 billion. Additionally, the state appropriated over $650 million in COVID relief funds. This funding provides LEAs with emergency relief funds to address COVID-19 impacts on schools. In December 2020, Congress passed a supplemental COVID-19 relief package referred to as the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act that includes an additional $6.7 billion in ESSER II funds for California schools.

As shown in the chart below, Inglewood USD and its dependent charter schools are estimated to receive approximately $37 million in coronavirus relief funds. Each component of the allocation below has specific uses and timelines in which the funds need to be spent.

Program	ESSER(1) I	ESSER(2) II	GEER(3)	CRF(4)	SB 117(5)	LLM(6)	Total
Resource	3210	3212	3215	3220	7388	7420	
Inglewood USD	5,302,606	20,531,093	610,435	8,686,435	126,041	713,443	$35,970,053
La Tijera K-8 Academy of Excellence			31,741	601,488	13,240	65,337	$711,806
City Honors International Prep High			8,280	309,657	5,633	33,876	$357,446
Total	$5,302,606	$20,531,093	$650,456	$9,597,580	$144,914	$812,656	$37,039,305

(1) Coronavirus Aid, Relief and Economic Security (CARES) Act; Elementary and Secondary School Emergency Relief (ESSER I) Fund

(2) Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act; ESSER II

(3) Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation

(4) Coronavirus Relief Fund (CRF): Learning Loss Mitigation - Funds are allocated based on three formulas established in SB 98: Sec. 110(a) is based on special education pupil count multiplied by $460.01 for GEER Fund and by $1482.46 for CR Fund; (2) Sec. 110(b) is based on LEA proportion of statewide Supplemental and Concentration Grant funding; Sec. 110(c) is based on LEA proportion of statewide LCFF entitlement

(5) SB 117 COVID-19 LEA Response Funds (2019-20)

(6) State Learning Loss Mitigation Funds

First Interim Report

The county administrator approved and submitted the district's 2020-21 first interim report on December 15, 2020 with a positive certification (Exhibit C). Since budget adoption, projected revenues increased by $36.5 million, projected expenditures increased by $16.8 million, and contributions to restricted programs decreased by $1.7 million, replacing the $1.4 million deficit with a $16.7 million surplus in the unrestricted general fund. The unrestricted general fund ending balance is projected to increase from $5.7 million to $27.5 million, for a 20.38% reserve at June 2021.

The district's projected deficit was significantly reduced in its first interim report because of a combination of one-time COVID-19 relief revenues as outlined above and additional ADA funding. As stated in our March 2, 2020 letter, the district had denied a renewal petition for two of its sponsored charter schools. Therefore, both charter schools ceased operation at the end of fiscal year 2019-20, and neither provided instruction in fiscal year 2020-21. As mentioned above, the state budget enacted a hold harmless provision for districts' LCFF apportionments in the current fiscal year. For charters that closed in fiscal year 2019-20 and did not operate in 2020-21, SB 820 (Chapter 110/2020) provides to the sponsoring school district an increase in its ADA based on the ADA reported by the now closed charter school in the 2019-20 school year. For Inglewood USD, this is an increase of 827.5 ADA in fiscal year 2020-21, increasing its LCFF apportionment. Additionally, because the district is still experiencing declining enrollment in subsequent fiscal years, it will be funded on the higher of the current or prior year ADA in 2021-22. Therefore, the additional ADA will also apply to the district's LCFF apportionment for 2021-22 fiscal year, which represents a benefit of approximately $18.5 million between both fiscal years (based on current law).

As reported in the district's first interim report, it has received $15.5 million in CARES Act funding along with $956 thousand in state COVID relief funds. Federal and state relief efforts provided the district resources to coordinate preparedness and response to COVID-19 including long-term school closures, personal protective equipment (PPE), resources to address the needs of their students, staffing, professional development, technology, and mental health services support.

The district's 2020-21 first interim report submitted to the county superintendent included an updated fiscal stabilization plan (FSP), reflecting cost savings and expenditure reductions totaling $4.7 million in 202122, and an additional $3.2 million in 2022-23. The district also included the additional apportionment from AB 1840 of $5.8 million in the 2020-21 fiscal year. The district projects that there will be no deficit in fiscal year 2021-22, which is a change from the original projection of $12.7 million in its 2020-21 budget adoption. However, the district's first interim projects its 2022-23 deficit will be $12 million, a decrease from its projected deficit of $13.3 million at budget adoption. This is mainly due to the use of a zero COLA assumption for the LCFF at first interim, and the cumulative loss of ADA hold harmless provisions in subsequent years. (The governor's January budget proposals for 2021-22 project a COLA of 3.84%, which will improve the 2022-23 deficit.)

The district's fiscal stabilization plan identifies additional cost savings and revenue increases, such as enrollment and ADA increases and special education realignment savings; however, these are all contingent on external factors and cannot be guaranteed

The county superintendent completed its review of the district's first interim report and its updated fiscal stabilization plan and concurred with the district's positive certification (Exhibit D). The county superintendent recognizes that the district's unrestricted general fund projects operating surpluses of approximately $16.7 million for 2020-21 and $6.8 million for 2021-22, but points out that these surpluses are one-time resulting from a combination of temporary state budget policies. The county superintendent noted that the district projects an operating deficit of $12 million in fiscal year 2022-23, which could severely impact the district's recovery plan and long-term fiscal solvency. The district was instructed to update the FSP and address the deficit spending with its 2020-21 second interim report. The table below summarizes the district's first interim projected surplus/ (deficit), fund balance and reserves for the current and two subsequent fiscal years. While the district designated an assigned amount the table below identifies the district's reserve percentage with and without that assignment.

Surplus/(Deficit) Spending	2020-21	2021-22	2022-23
Unrestricted General Fund	$16.7	$6.8	($10.3)
Restricted General Fund	$1.5	($1.2)	($1.7)
Combined General Fund	$18.2	$5.6	($11.9)

Ending Fund Balance	2020-21	2021-22	2022-23
Unrestricted General Fund	$27.5	$34.3	$24.0
Restricted General Fund	$5.3	$4.1	$2.4
Combined General Fund	$32.8	$38.4	$26.4

Reserves	2020-21	2021-22	2022-23
Unrestricted General Fund Balance	$27.5	$34.3	$24.0
Assigned Fund Balance	$23.3	$30.6	$20.3
Available Reserve Amount	$4.0	$3.5	$3.6
Reserve Percent (w/o assignment)	3.00%	3.07%	3.08%
Reserve Percent (with assignment)	20.38%	29.89%	20.63%

Deficit Calculation

FCMAT Analysis of MYFP Deficit in 2021-22

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

- Analyzed budget, payroll and position control
- Updated the LCFF calculation based on the governor's January proposed budget data
- Created enrollment, unduplicated pupil count, and ADA projections using Projection-Pro
- Verified prior year apportionment adjustments and corresponding journal entries

- Analyzed budget-to-actual data for the current year
- Performed a detailed review of special education, routine restricted maintenance accounts, and transportation
- Balanced restricted resources for 2021-22 and 2022-23
- Reviewed annual audit report

Because of the one-time impacts from the COVID-19 pandemic FCMAT compared the district's prepandemic interim reports to the relevant unaudited actuals in the unrestricted and restricted general fund to determine the level of reliability the district has in estimating expenditures. As stated in previous letters, the district has a pattern of overbudgeting, which raises concerns over inadequate budget monitoring. FCMAT's findings in this comparison indicate that district staff does not align the budget with the actual expenditures as the fiscal year progresses, which makes it difficult to reach conclusions based on budget data. The district also does not align restricted revenues with expenditures or monitor each individual program budget. This allows for budgeted restricted funding to go unused for several years, withholding needed funds from instructional programs and building up carryover or unnecessary restricted reserves. The district has a long established pattern of ignoring the costs savings from vacant positions. The district should recognize savings for unfilled positions throughout the year to provide a more realistic budget projection and financial position.

Based on a review of the district's 2020-21 first interim report, analysis of district documents, and discussions with the district's chief business official (CBO), FCMAT adjusted the district's first interim report accordingly. Unrestricted salaries and benefits appear to be overbudgeted and services appear to be underbudgeted based on a review of year-to-date expenditures. FCMAT adjusted these categories in its MYFP. The net amount of the adjustments generated a reduction of approximately $579,045 to unrestricted expenditures and approximately $15.2 million to the restricted expenditures in fiscal year 2020-21. The district does not charge indirect costs at the maximum allowable rate to all programs and funds, another sign of poor budget management. FCMAT adjusted the first interim budget and subsequent years to include indirect costs at the maximum allowable rate. Upon further review, FCMAT found that the district's estimated costs of contributions to special education was overbudgeted by approximately $4.4 million dollars. Minor adjustments were made to the current year revenue projections, and a slight decrease was made to the LCFF revenue to reflect the cost of the district's settlement agreement with the state reflecting past audit adjustments, but the impact of this adjustment was offset with an increase to the local revenue for interest earned. The restricted revenue reflects a decrease to the district's special education IDEA grant entitlement, which was not properly reconciled at year end close. The total adjustment to the district's first interim total revenue was a reduction of approximately $1.3 million. Due to the district's inadequate budget monitoring, a $272,122 adjustment was made to the restricted ending fund balance, which reflects a combination of programs with ending fund balances. However, the program expenditure deadline has passed, so unfortunately the district most likely will owe these dollars back to the state.

As stated earlier in this letter, the district still continues to experience declining enrollment. The projected enrollment is estimated to be 7,483 in 2021-22 and 6,986 in 2022-23. The district's LCFF apportionment in fiscal year 2020-21 and 2021-22 was based on the 2019-20 P-2 ADA due to the hold harmless provision. Since the district's enrollment and ADA continue to decline the LCFF projections used an estimated ADA of 6,041.98 in 2022-23, reflecting the cumulative two-year decline.

The two subsequent fiscal years of FCMAT's MYFP differ significantly compared to the district's, primarily because of additional one-time revenue from the state and federal coronavirus relief acts. FCMAT included the district's preliminary entitlement of $20.5 million of CRRSA ESSER II funds approved in December 2020 in its 2021-22 revenue projection. While these dollars are considered restricted funds, the district ultimately determines how these dollars are used within the federal eligible expense limits. FCMAT's projection also shows an increase of $4.7 million in unrestricted LCFF revenues in 2021-22 over the district's projection because of the increased COLA of 3.84% included in the governor's January budget proposal.

For the purpose of this analysis, FCMAT restored the district's expenditures levels to the prepandemic levels in anticipation that schools will be open for in-person instruction in the 2021-22 fiscal year. Even with the restoration of the expenditures, this analysis does not project that the district will deficit spend in fiscal year 2021-22, which is consistent with its conclusion in the first interim report.

The district's projection does not consider the projected increase to expenditures resulting from the consumer price index (CPI) inflation factor. Using a CPI estimate of 1.57% in fiscal year 2021-22, FCMAT's calculations show an increase in costs for supplies, services, and other operating expenses of approximately $135,500 in 2021-22. Using a CPI estimate of 1.82% in fiscal year 2022-23, costs for supplies, services, and other operating expenses are projected to increase by approximately $159,600 in 2022-23.

This analysis includes the majority of the items identified on the district's fiscal stabilization plan. However, FCMAT's analysis of the details of the FSP indicates not all of the assigned values may be realized. The district's fiscal stabilization plan identified proposed reductions in restricted program expenditures, but included the reductions on its unrestricted MYFP. These expenditure reductions, totaling $1.8 million in 2021-22 and $782,500 in 2022-23, were not included in FCMAT's unrestricted MYFP.

The district plans for a reduction of $200,000 for services in the 2021-22 fiscal year. However, as indicated above, the projected increase to supplies, services, and other operating expenditures resulting from the CPI is approximately $135,500 in 2021-22, giving the district a net reduction of $64,500, rather than the projected reduction of $200,000.

The district's plan includes a $1.365 million reduction in 2021-22 and an additional $682,500 in 2022-23 for special education realignment. Further discussion with the district indicated that the district contracts for various positions in special education, and part of the special education realignment plan is to provide those services to students by hiring additional staff with the required skills. While the right goal, unfortunately, the district has had difficulties in filling these positions and will likely continue to do so without a strong special education employee pipeline and competitive compensation, which has broader implications. FCMAT did not recognize any of the projected cost savings in its MYFP.

In addition, several certificated, classified, and management positions are proposed for elimination in the district's fiscal stabilization plan. One classified management position proposed for elimination is not included in the district's position control system or its budget, suggesting the savings from the FSP are not reliable.

Furthermore, as this letter was being finalized, the district informed FCMAT that it does not plan to make the budgetary cuts identified in its fiscal stabilization plan in 2021-22 as outlined, but intends to delay them until 2022-23. The district intends to use one-time restricted revenues it will receive in 2020-21 and 2021-22 to offset recurring expenditures in the unrestricted general fund. One-time funds received by the district in the 2020-21 fiscal year include $5.8 million in AB 1840 revenues, $9.1 million in one-time principal apportionment revenue related to closed charter schools, and approximately $37 million in COVID-19 relief funds.

The summary data below is based on currently available information that is subject to change given the highly volatile nature of these unprecedented times. FCMAT's adjusted projections are as follows:

FCMAT's Projected Operating Surplus (Deficit)

Fiscal Year	Unrestricted	Restricted	Combined
2020-2021	$22,451,369	$10,215,903	$32,667,273
2021-2022	$11,862,143	$4,445,470	$16,307,613
2022-2023	($7,529,930)	($6,513,580)	($14,043,510)

FCMAT's Projected Unrestricted Ending Fund Balance and Reserve Levels

Fiscal Year	Ending Fund Balance	Minimum Required Reserves	Total Available Reserves
2020-2021	$33,206,366	$3,550,855	27.90%
2021-2022	$45,068,509	$3,845,174	35.02%
2022-2023	$37,538,579	$3,659,694	30.62%

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

County Superintendent 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 district indicates that the California Collaborative for Educational Excellence (CCEE), the district and the county superintendent will share the total cost of the support listed above, with the CCEE funding two of the positions, the district funding three of the positions at a cost of nearly $717,000 and the county superintendent absorbing the costs of the remaining positions, estimated to be approximately $332,074 per year.

Opportunities and Challenges to Calculation

The district continues to have large carryover balances in its restricted programs, indicating that it does not develop and implement plans to appropriately allocate and spend restricted funds for their original purposes. In previous reporting periods, the district experienced significant year-over-year carryovers of Title I funding, which required a waiver to be filed for excess carryover beyond the 15% allowance. In the district's audit report, the auditors indicated that they could not reconcile the amount of Title I funds unspent from prior years. For the purpose of this analysis, the current year income was reduced to actual award, and a reciprocal placeholder to support deficit spending in the current year was added to the Title I fund balance. For federal programs, the expenditures will typically match the current year award. However, since the district has a trend of not spending all of its entitlements, the carryover from those programs are included in FCMAT's MYFP. The table below shows the federal programs that the district is not anticipated to fully expend as part of the MYFP analysis.

Restricted Resources		2020-2021	2021-2022	2022-2023
ESSA: School Improvement Funding for LEAs	3182	$833,774	$833,774	$833,774
Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	3327	$73,131	$73,131	$ 73,131
ESSA: Title II, Part A, Supporting Effective Instruction	4035	$358,352	$358,352	$336,017
ESSA: Title IV, Part A, Student Support and Academic Enrichment Grants	4127	$350,784	$350,784	$350,784
ESSA: Title III, English Learner Student Program	4203	$219,452	$19,452	$219,452
Total Restricted		$1,835,494	$1,835,494	$1,813,159

The district's allocation and utilization of restricted funds appears to be severely affected by the lack of communication between the Educational Services and Fiscal Services departments. This is evidenced by the restatement of $272,122 due to the expiration and the potential return of unspent resources as stated earlier in the letter, and the large amount of ongoing restricted resources with ending fund balance, based on the lack of expenditure per the district's historical trend analysis. This lack of coordination is likely also reflected in the ability of individual school sites to meet the commitments outlined in the school plan for student achievement (SPSA).

FCMAT is concerned that the district's plan for the expenditure of COVID-19 relief funds may constitute an inappropriate use of the funds. Broadly, the CARES Act funds may be used only to cover costs that are necessary in response to the COVID-19 emergency. In 2019-20, the district inappropriately transferred $1.6 million of expenditures for special education non-public school (NPS) tuition and summer school from special education resources to the federal coronavirus relief fund. To avoid an audit finding in 2019-20, the district restated revenues from the special education resource to the coronavirus relief fund as a repayment in 2020-21. The district's external auditors identified this material restatement; however, no audit finding was included in the 2019-20 annual audit report.

The district continues to benefit from the receipt of former redevelopment agency (RDA) revenues that are in addition to the LCFF revenue apportionment. The district has a projected ending fund balance of $5.6 million in a locally restricted resource it uses to record redevelopment agency revenues. The district projects ongoing annual revenues of approximately $1.7 million. Although the use of these funds for unrestricted purposes may be debated, Education Code Section 42238(h)(6) allows the inclusion of "maintenance" (e.g., routine restricted maintenance account). Therefore, the district can use these funds to make the required contribution to the routine restricted maintenance account contribution, offsetting the contribution from unrestricted.

Key Personnel Changes

As of September 2020, the district filled all executive level cabinet member positions. The last position filled was the CBO, who was hired on September 24, 2020 after the previous CBO suddenly resigned as of July 2020, having held the position for less than one year. Additionally, the director of fiscal services position had remained vacant since the prior year and the senior executive director of fiscal services had left the district in August 2020. Because of the time between the resignation and replacement of the CBO and the various vacant positions within the Business Services Department, the district relied heavily on various consultants to perform day to day functions of the business office, and complete all year-end processing and required financial reports. In November 2020, the district filled the senior executive director of fiscal services; however, the director of fiscal services position still remains vacant.

Additionally, the county administrator just approved a new job description for a payroll supervisor position during the January 13, 2021 board meeting. Although the district has filled most of its vacant positions, it still has several consultants working and directing in key positions. FCMAT is concerned that the district may continue its long term pattern of not building internal capacity.

Status of Annual Audits

In response to the pandemic, Education Code 41020.9 was added effective June 29, 2020 and extended the normal deadline for LEAs' annual audits from December 15, 2021 to March 31, 2021. However, the county administrator accepted the district's 2019-20 audit report (Exhibit F) on December 15, 2020. The district's CBO presented a report regarding the district's audit findings over the past five years. The number of audit findings was 46 in fiscal year 2015-16, yet only 13 in fiscal year 2019-20. The auditors noted significant progress in the district's responsiveness during the review, in the reduction of the number of audit findings, and most importantly, in the findings' severity.

The auditor issued a qualified opinion on the district's financial statement and identified material weaknesses in internal controls. The qualified opinion was issued in part because the district's accounting records were inadequate, and supporting documentation was insufficient. The auditors also noted that the unaudited actuals form CAT contained several inaccuracies, and the award amounts could not be traced to grant letters. The auditors opined that these misstatements did not have a true effect on the financial statements; however, the material effect on the district financial statements is unknown until each categorical program is reconciled and amounts for all carryover and unspent grant allocations are known.

The following table is the independent auditor's schedule of financial statement findings. FCMAT considers each of these findings to be significant, indicating a lack of basic business office functionality and overall leadership. These findings call into question the reliability of all district financial data, including budgetary data.

Finding	Finding Type	Cause
2020-001: Fiscal Challenges	Internal Control, Miscellaneous	Long history of a lack of oversight and leadership, progress towards fiscal solvency concerns, impact from declining enrollment, rising costs of special education, health and welfare to employees, and increasing pension contributions for STRS and PERS.
2020-002: Capital Assets Reporting	Inventory of Equipment, Internal Control	Unable to confirm the amounts reported in the district financial statements for capital assets, including depreciation. As a result, the District's capital assets are susceptible to theft or fraud, and are at risk of being materially misstated in the financial statements.
2020-003: Accounts Payable Reporting	Internal Controls	The District could not reconcile its salaries and employee benefits payable to payroll registers or other supporting documentation. The district's liability for accrued payroll and related benefits is subject to material misstatement.
2020-005: Accounts Receivable & Revenue Reporting	Internal Controls	The District did not reconcile its accounts receivable to clear out beginning balances, but in some cases, the beginning balances were simply written off with no investigation done to determine whether the balances were still valid. Unable to obtain sufficient audit evidence that accounts receivables were not materially misstated.
2020-007: Payroll Clearance Fund	Internal Controls	The District has not reconciled the payroll clearance fund to ensure that the payroll transactions and the payments are matching and to ensure that all activity recoded in the fund is appropriate. As a result, errors in reporting could occur and go undetected. Account balances in the fund may be inaccurate, and errors in amounts withheld or remitted could occur and go undetected.

Benchmarks

Education Code 42126(c) provides a list of benchmarks to be measured. 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.

Before the first AB 1840 March 1 letter in 2019, FCMAT, the county superintendent and the district agreed on the benchmarks to be monitored, which included those derived from code and district-established benchmarks added by the district. The county superintendent has taken an active role in helping the district and has created a targeted plan of action to guide the district toward the goal of achieving long-term fiscal stability and recovery. Together, the district and county superintendent are working to identify key areas for improvement based on the listed benchmarks below.

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 has completed operational reviews for the following departments: Maintenance and Operations, Fiscal Services, Transportation, Human Resources, Technology, and Educational Services.

   Only the Human Resources Department has been reorganized as stated below. However, the district has implemented various elements of the recommendations from the operational reviews as it relates to the other departments within the district. Cabinet- level administration has reviewed each department's recommendations and has focused on restructuring and on cross-training and professional development both districtwide and divisionwide.

   a. Human Resources:

      At the board meeting on July 22, 2020 the county administrator approved a revised organizational chart and related job descriptions resulting in the restructuring of the Division of Human Resources. The revised chart reflects staffing changes recommended by the School Services of California, Inc. (SSC) report that was issued 16 months earlier on March 1, 2019. The revisions to the department's staffing are projected to result in a net savings of $304,404 to the general fund.

      The department is working on customer service, uniform complaint procedures and has updated the district's webpage. Additionally, the district has provided training to site principals related to employee performance and evaluations for both certificated and classified staff. As part of the reorganization, the district eliminated various technician positions and created human resources generalist positions that all perform the same work and have the same responsibilities. The workload was originally divided between certificated versus classified and resulted in an imbalance of employee's workload. By creating the generalist positions, the department cross-training goal happens naturally, and workloads can easily be equalized.

   b. Business Services:

      The district has experienced continuous turnover in key positions in the Business Services Department. A CBO was hired on September 24, 2020 and a senior executive director of fiscal services on November 12, 2020. With all vacant positions filled, the district has stated that it is focusing on implementing FCMAT's comprehensive standards, as well as ensuring compliance with state and federal regulations, reviewing the workflow and ensuring separation of duties within the department.

The Business Services Department has implemented a new structure within the department that includes a system of cross-training and will eliminate process and systems failures if an employee is promoted or leaves the district. This structure includes new processes and procedures and identified duties within the department to ensure they work with other departments in the district.

c. Transportation:

Because of the COVID-19 pandemic, the need to transport students was significantly decreased, and the district is temporarily using its transportation staff in other capacities.

d. Information Technology:

The Technology Department is no longer under the supervision of the Business Services Department but has moved under the direction of the chief academic officer. The main focus for this department has been professional development and CALPADS training. The chief academic officer has worked closely with the LACOE support team to ensure that the technology staff are adequately trained. The central focus has been providing CALPADS training for IT staff members so they can support school site staff.

e. Educational Services:

The district has realigned the supervision of the district principals to address concerns of inconsistent communication. The principals are now supervised under the applicable executive director of elementary or the executive director of secondary to ensure that consistent direction is provided to the elementary and secondary principals. Additionally, this department has focused on establishing collaboration between departments by providing training and support to both the district- and site-level staff.

f. Maintenance and Operations:

District administration recognizes the importance of the condition of facilities and the impact this has on student enrollment. The district's chief operating officer in collaboration with the site principals has established regular cleaning schedules and provided the custodial staff with training and support, and management is doing regular site walk-throughs to ensure expectations are met.

The district has not yet entered into an agreement for an operational review of its Police Department. With the retirement of the chief of police in December 2019 and the resignation of two police officers, the district has one police officer and 15 school safety assistants, which includes one vacant position.

2. Adoption and Implementation of necessary budgetary solutions.

Status:

The district submitted a positive certification of its 2020-21 first interim report to the county superintendent. The district's FSP approved with its first interim report included $4.7 million in budget reductions for fiscal year 2021-22 and an additional $3.2 million for 2022-23. Many of the identified reductions are to personnel and therefore will require subsequent formal resolution.

In March 2020, the county administrator approved resolution 29/2019-2020 (Exhibit G) to reduce particular kind of services by 46 full-time equivalents (FTEs) for the 2020-21 school year. Resolution 40/2019-2020, approved in May 2020, revised this number to 38 FTE (Exhibit H). This resolution states that the district rescinded four preliminary layoff notices due to program needs and the other four were because of unfilled vacancies. Additionally, the county administrator approved resolution 35/2019-2020 (Exhibit I) in April 2020 to eliminate or reduce 17.5 FTE classified positions, and resolution 41/20192020 (Exhibit J) was approved in May 2020 to reduce or discontinue services of an additional 16 classified positions effective July 31, 2020. Of the additional 16 positions, nine of them were vacant.

The district continues to experience declining enrollment and recognizes that its fiscal recovery is contingent on stabilizing or increasing student enrollment. The district historically experiences a decline in student enrollment between elementary and middle school. In an attempt to keep students from leaving, the district has implemented a grade level expansion program at various elementary schools that will convert them to K-8 configurations. This expansion is in year two of a three year plan. The table below outlines the three-year plan:

School	Change	2019-20	2020-21	2021-22
Beulah Payne STEAM Academy	Convert from K-6 to K-8	P-8		
Bennett-Kew Elementary	Convert from TK-5 to TK-8	TK-6	TK-7	TK-8
Worthington Elementary	Convert from TK-5 to TK-6	TK-5	TK-6	
Oak Street Elementary	Convert from TK-6 to TK-8	TK-6	TK-7	TK-8
Centinela Elementary	Convert from TK-6 to TK-8	TK-6	TK-7	TK-8
Woodworth-Monroe Elementary	Consolidated with Monroe Middle	TK-8	TK-8	TK-8

In addition to encouraging families to remain in the district by expanding grade levels at schools, new and renewal charter petitions are being carefully evaluated against the state-established criteria. In the district's prior practice, petitions were not carefully evaluated and the required oversight of existing charter schools was not performed. In fiscal year 2019-20, the district began to provide the required oversight and successfully challenged two charter renewal petitions for the 2020-21 school year. While one of the schools has other campuses and may transfer students there, taking advantage of current distance learning requirements, significant outreach has been made to charter school families and a concierge type service is offered to encourage and help families transition to the district's schools. The district remains convinced that when in-person learning again becomes the norm, more students will attend its schools.

The district also has focused on a campaign and strategies to increase awareness of the importance of student attendance. The Student Support Services team has developed a districtwide Attendance Improvement Implementation plan allowing each school to review and analyze its attendance and data and discuss strategies for improvements. The district also recognizes the effect of instructional programs, student achievement, learning environment, facilities and the school safety on creating safe and welcoming schools. Unfortunately, distance learning has made it difficult to implement the plan and assess the results.

To address the condition of the district's physical plants, the county administrator placed Measure I, a general obligation bond, on the November 3, 2020 ballot. The measure was successful and authorized the sale of up to $240 million in bonds for continuing facility modernization. Using Measure I funds to help meet the extensive modernization needs of the district will allow revenue generated from the sale/lease of surplus property to be used to service the district's debt to the state and is part of a multiyear plan for recovery.

Additionally, the District has been advised by the Los Angeles World Airports (LAWA) that additional sound mitigation funds will be made available for Inglewood High School. The award is expected to be between $15 and $21 million and should be finalized by the Federal Aviation Administration (FAA) and LAWA by July 2021.

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

Status:

The district's first interim report does not project a deficit in fiscal years 2020-21 or 2021-22. This is mainly due to the state budget policy, which restored the proposed 7.92% deficit factor to LCFF for 2020-21 and generated additional ADA for both 2020-21 and 2021-22. The district included the AB 1840 apportionment under in fiscal year 2020-21, but did not include any additional apportionment in fiscal year 2021-22. In addition, the district also added various state and federal coronavirus relief funds, which have improved both the unrestricted and restricted general fund.

The district's fiscal stabilization plan approved with the 2020-21 first interim report included expenditure reductions totaling $4.6 million in 2021-22, and an additional $3.2 million in 2022-23. However, the district projects a deficit of $12 million in fiscal year 2022-23 mainly because of using a zero COLA for the LCFF, and the cumulative loss of the ADA hold harmless provisions in subsequent years. While the district's fiscal health is strong in the current and next fiscal years, this strength is short-term and it must not lose sight of the long-term implications of decisions. To sustain unrestricted reserves and achieve long-term fiscal solvency, the district recognizes it must address their structural deficit in the near term. However, the recently reported decision not to proceed with planned expenditure reductions in the spring of 2021 would indicate a lack of commitment to building on the district's fiscal strength to sustain long-term stability.

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

   Status:

   See discussion above under 3. – Completion and implementation of multiyear, fiscally solvent budgets and budget plans.

   Reserves were projected to be 3 percent for 2020-21, 3.07 percent for 2021-22, and 3.08 percent for 2022-23. The district has also included an assigned amount of greater than $20.3 million in each of those fiscal year as part of its components of ending fund balance.

5. Adoption of a preliminary school and school district facility closure and consolidation plan and initiation of any regulatory approval process, including the California Environmental Quality Act and other state or local approval, related to the sale or lease of surplus property.

   Status:

   Due to the impact of COVID and distance learning, all work on school consolidations has been stopped. It is expected that once students return to in-person learning, the district will be able to refresh the demographics report from October 2019 and resume analysis of school site enrollments and identify consolidation opportunities. Additionally, the delay allows the district's strategy of increasing enrollment by expanding grade levels at schools (TK–5/6 to TK–8) to play out as well as conforming the anticipated increased enrollment from the closing of two charter school in June 2020. Assuming the reopening of schools no later than the fall 2021, the demographics firm will be reengaged to update projections based on that year's enrollment, which will generate a two-year longitudinal analysis of school specific enrollment trends and validate the effectiveness of the district's strategies to increase enrollment or at least slow the decline.

   An ongoing facilities consolidation project is moving the district's football/track stadium from Coleman Field, adjacent to the district office, to Inglewood High School. The high school property is likely not large enough to house stadium seating, but because the stadium and adjacent baseball field serve as the practice and game fields for Inglewood High School the conceptual plan is to demolish some of the older, dilapidated and abandoned classrooms and construct a football/soccer/track space as well as adding baseball in addition to the existing softball field. The district is hiring an architect to formalize the analysis/feasibility. Once the stadium function is relocated to the high school, the area that houses the existing stadium would then be available for sale or lease. Because the new fields would not have sufficient seating for varsity football games, the district is expected to enter into an agreement with either El Camino or Los Angeles Southwest community colleges. Both have been used for football games and/or graduation ceremonies. The move/campus consolidation will be funded by the recently passed Measure I general obligation bond.

With respect to the consolidation (reduced footprint) of Morningside High School, a request for qualifications is being developed for an environmental consultant to guide the project through the California Environmental Quality Act review. The school's footprint will be reduced from (approximately) 50 acres to 35 acres, and the athletic fields will be moved to the smaller campus footprint after demolition of old, dilapidated buildings. The vacated portion of the property will be consolidated with the closed (consolidated with Monroe Middle School) Woodworth Elementary School campus for a contiguous developable property of 23 acres. The district is finalizing the procurement of real property broker services and expects to start marketing the property in mid-2021 to identify a developer to build apartments under the joint occupancy statues (Education Code 17515 et seq.) under a lease agreement for up to 99 years. The high school campus consolidation project will be funded with general obligation bond proceeds.

6. Growth and maintenance of budgetary reserves.

Status:

FCMAT's calculation of the district's unrestricted general fund balance and available reserves are shown in the table below. FCMAT's MYFP includes the most of the items identified on the district's 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's fiscal stabilization plan identified proposed reductions in restricted program expenditures but included the reductions on its unrestricted MYFP. These expenditure reductions, totaling $1.8 million in 2021-22 and $782,500 in 2022-23 were not included in FCMAT's unrestricted MYFP. The district's plan includes a reduction of $1.365 million in 2021-22 and an additional $682,500 in 2022-23 for special education realignment. Further conversation with the district indicated that the district is currently contracting out for various positions in special education and part of the special education realignment plan is to deliver those services to students by hiring additional staff with the required skill set. While the right goal, the district has unfortunately had difficulties in filling these positions and will likely continue to do so without a strong special education employee pipeline and competitive compensation, which has broader implications. FCMAT did not recognize any of the projected cost savings in its MYFP.

Fiscal Year	Ending Fund Balance	Minimum Required Reserves	Total Available Reserves
2020-2021	$33,206,366	$3,550,855	27.90%
2021-2022	$45,068,509	$3,845,174	35.02%
2022-2023	$37,538,579	$3,659,694	30.62%

It is important to recognize that the district projects to return to deficit spending in 2022-23 and beyond, drawing down ending fund balance.

District-Established Benchmarks

1. Facility Planning

Status:

The district placed Measure I, a $240 million bond measure, on the November 3, 2020 ballot. The bond measure passed, facilitating the district's plans to hire an internal construction team for planning, procurement and accounting. The team lead will start work by March 1. More about the district's facilities and ongoing planning is discussed above under State Benchmark number 5 – Facility Plans.

2, Special Education

Status:

The district is in the process of completing the Special Education Department reorganization. This reorganization was based on a collaboration between IUSD, LACOE and CCEE including the data analysis. The implementation will occur in the 2021-22 school year. The district has started to provide program specialists, school psychologists, and special education teachers with professional development on compliance which will continue over time to ensure coherence and accountability.. Interviews with staff indicated that the district had a backlog of past due individual educational plans (IEPs), and CDE had given the district some leeway in addressing this issue, but the staff and administration have exceeded the state's expectations in bringing all IEPs current and maintaining current year IEPs. The district has worked to create an alternative dispute resolution process designed to help parents and the district reach a resolution before reaching due process. If successful, a measurable outcome will be meeting parents' and students' educational goals and less costly settlements to the district. The district has typically had to contract for all behavioral support/intervention services for students. It plans to provide BIP/BPIS training and support to interested teachers.

3. Fiscal Stabilization Plan

Status:

The district continues to revise the fiscal stabilization plan and submits an updated plan with each submission of budget and interim financial reports. The district FSP included with the first interim report reflects $4.7 million in costs savings and expenditure reduction in 2021-22 and an additional $3.2 million in 2022-23. As this letter was being finalized, the district informed FCMAT that it does not plan to make the budgetary cuts identified in its fiscal stabilization plan in 2021-22 as outlined, but intends to delay them until 2022-23. The district intends to use one-time restricted revenues it will receive in 2020-21 and 2021-22 to offset recurring expenditures in the unrestricted general fund. One-time funds received by the district in the 2020-21 fiscal year include $5.8 million in SB 1840 revenues, $9.1 million in one-time principal apportionment revenue related to closed charter schools, and approximately $37 million in COVID-19 relief funds. At best, this is questionable budget leadership and at worst, may be inappropriate depending on federal eligible cost limits.

In December 2020, Congress passed a supplemental COVID-19 relief package referred to as the coronavirus Response and Relief Supplemental Appropriations (CRSSA) Act, the district's preliminary entitlement in fiscal year 2020-2021 is $20.5 million.

The district is still working on a land lease agreement for the 22.6-acre site, comprised of the consolidated Woodworth Elementary School (with Monroe Middle School) and the athletic fields of Morningside High School. It is expected that the agreement will be with a developer to build apartments under the joint occupancy statutes (EC 17515 et seq.) for up to 99 years.

4. Instructional Improvement

Status:

The district's instructional focus this year is to teach reading relentlessly, every day, in every school, to every student. The district, in coordination with the California Collaborative for Educational Excellence, worked to help create a coherent theory of action based on standards-aligned curriculum, sound instructional practices, targeted intervention, focused professional development and the use of districtwide common assessments. Administration is also focused on building a partnership with parents and caregivers to support teaching and learning.

This year, the district continues to emphasize its Theory of Action as the roadmap to improved student achievement. Schools are expected to continue their strong focus on the implementation of the core English language arts program for all students in K-12. In addition, in February at a districtwide professional development day, the district kicked off a refocus on their adopted core math programs.

Principal meetings continue to focus on improving the use of periodic assessment data in their school Cycle of Inquiry protocol. Educational Services is also leading its leadership team in adopting and implementing newly identified key performance indicators.

With the support of CCEE, the district has identified the following three key performance indicators:

- Literacy for All Students
  - Additionally, the district has focused on English learners, students with special needs, and African American students.
- A-G and Graduation Rates
- Special professional development has focused on the district's instructional priorities with preparation for the added priority of mathematics for the 2021-22 school year.

Professional development for the tremendous influx of instructional technology has been included in both district and school-site professional development. This focus on instructional technology is intended to support the district's 1-to-1 student-device initiative, which was implemented this year. The professional development is intended to close and eliminate the second-level digital divide. The second-level digital divide is the inequitable use of technology to advance higher order critical thinking skills and rigorous tasks for African American and Latino students.

5. Attendance Processes and Procedures

   Status:

   As mentioned in previous letters, the district has focused on strategies to raise awareness on the importance of student attendance. Additionally, the district's enrollment process is now completed entirely through the Aeries Online Enrollment system. Parents who need additional assistance can contact the Student Support Services Department and/or the enrollment staff at their school of preference. Parents also have the option of submitting required documents electronically or they may deliver documents to the Student Support Services Department located at the district office.

6. System Support – Data Driven

   Status:

   To create organizational coherence throughout the district, the Educational Services team developed a uniform cycle of inquiry protocol to assess the effectiveness of instruction and alignment to core programs. The protocol allows teachers to engage in critical reflection of assessment data and identify strengths, challenges, trends, and outliers. Additionally, teachers use their data to collaborate with grade-level teams and departments to determine proficiency, discuss intervention strategies, and plan for instructional next steps. Use of the protocol has led to the creation of data walls at each school campus to visualize student achievement. These data walls are a focal point for school staff as they continue to strategize on increasing student achievement and providing targeted support to the implementation of intervention programs for all students.

Conclusion

There is no projected deficit for 2021-22; therefore, no need for an AB 1840 appropriation for the district in the 2021-22 state budget. While this letter concludes FCMAT's responsibility under AB 1840 with respect to Inglewood Unified School District, FCMAT will issue a follow-up letter in the fall of 2021 to report on 2020-21 unaudited actuals and continued progress on the agreed upon benchmarks through the 2020-21 fiscal year.

FCMAT also continues to engage with the district through FCMAT's responsibilities to conduct annual comprehensive reviews there. That process is ongoing for the foreseeable future. The district has made significant progress in a variety of instructional and operational arenas. However, as noted in this letter, the district continues to have major struggles with regard to financial operations, financial reporting, and long-term fiscal stability.

Sincerely,

Jennifer Noga
Intervention Specialist

Debbie Riedmiller
Intervention Specialist

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