January 9, 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 FCMAT's responsibilities under Assembly Bill (AB) 1840 (Chapter 426/2018) regarding the Inglewood Unified School District (Inglewood USD). The intent of this letter is to provide an update of events that have occurred since our letter dated April 29, 2019.

This update will include status of negotiations; actions taken since April 29, 2019; key personnel changes; a general fund analysis; status of the district's annual audits and updates regarding the organizational reviews and school/facility closure and consolidation plans.

Please note that Exhibits A through F are available here:

Status of Negotiations

The district and both of its bargaining units settled negotiations for 2016-17 through 2019-20, with limited reopeners in 2020-21. However, in May 2019, the district reached a tentative agreement with the Inglewood Teachers Association for fiscal years 2018-2021 that included changes in compensation for counselors and adult education teachers, and the agreement was approved at the September 11, 2019 board meeting. Public disclosure documents (Exhibit A) were provided to the Los Angeles County Office of Education (LACOE), and a response is pending.

Actions Taken Since April 29, 2019

Amendment of Certificated and Classified Layoffs

As reported in the March 1, 2019 letter, the county administrator approved resolutions to reduce particular kinds of services by 34.0 certificated full-time equivalents (FTEs), nonreelect three probationary certificated employees and release/reassign four administrators for the 2019-20 school year. The resolution of April 24, 2019 implemented the reduction of particular kinds of services from 34.0 FTE to 26.0 FTE (Exhibit B). The reduction does not provide information for the change; however, the resolution states that the county administrator will recognize and account for any attrition that takes place after the March 15, 2019 notification deadline, and will reduce the number of employees whose services are terminated. There were no additional resolutions that addressed the nonreelection of three probationary certificated employees or the release/reassignment of the four administrators for the 2019-20 school year.

The county administrator approved a resolution on June 26, 2019, which resulted in the layoff of 16 classified positions. Of the 16 positions, 10 of them are vacant, and six employees were impacted by the layoff.

Key Personnel Changes

The county administrator announced in July that she was retiring effective October 1, 2019. This is the sixth administrator/trustee in the past seven years. The new county administrator was hired in November 2019. The district has also experienced turnover in its executive cabinet. The chief business official, executive director of human resources and chief academic officer all have resigned or retired from the district. The chief academic officer's last official day was July 2, 2019, and a replacement was not hired until October 16, 2019. The chief business official resigned as of August 2019, at which time the director of business services stepped in as interim until officially being hired effective November 17, 2019. However, this has left the director of business services position vacant. The executive director of human resources retired effective October 2019. The district revised the job title to chief human resources official and hired a replacement effective October 21, 2019. As of November 2019, the district's entire executive leadership team has changed since June 30, 2019.

Third Interim/End of Year Projection

On May 29, 2019, the county administrator approved the district's third interim financial report (Exhibit C). For the 2018-19 first interim report the district was projected to have a deficit of $614,978. However, the district controlled costs by staffing more efficiently and reducing the operating budget and other planned actions and services, which resulted in a net improvement of $1.45 million. The 2018-19 second interim report included unexpected costs and rising cost of special education, which were mitigated by the use of the district's accumulated redevelopment funds. As reflected in the table below, the district was not projected to deficit spend in 2018-19. This is a result of salary savings from planned and unplanned vacancies, and from costs postponed or not incurred by the district in an effort to improve the district's fiscal condition.

2018-19 Third Interim Projections

	Unrestricted	Restricted	Combined
Surplus/Deficit	$2,226,003.00	$ (2,197,597.00)	$28,406.00
Beginning Fund Balance	$3,290,328.50	$3,395,625.64	$6,685,954.14
Restatements	$(449,022.17)	$-0.00	$(449,022.17)
Adjusted Beginning Fund Balance	$2,841,306.33	$3,395,625.64	$6,236,931.97
Ending Fund Balance	$5,067,309.33	$1,198,028.64	$6,265,337.97

Adopted Budget for 2019-20

The district adopted the budget for 2019-20 (Exhibit D) on June 26, 2019. The adopted budget incorporated $3.60 million in Other State Revenues for the 2019-20 fiscal year, reflecting the anticipated apportionment from AB 1840 incorporated in the Budget Act. Including these additional state dollars in the interim report eliminated the initially projected deficit spending as designed, and was consistent with the district's 2018-19 third interim report. As adopted, the 2019-20 budget reflects a projected unrestricted surplus for the district of $18,555 in fiscal year 2019-20.

2019-20 Adopted Budget

	Unrestricted	Restricted	Combined
Surplus/Deficit	$18,555.00	$2,538.00	$21,093.00
Beginning Fund Balance	$5,245,906.33	$1,034,695.64	$6,280,601.97
Ending Fund Balance	$5,264,461.33	$1,037,233.64	$6,301,694.97

Although the table below shows that the district is projected to meet its required 3% reserves, it is contingent on the implementation of a fiscal stabilization plan (FSP) as well as additional apportionments pursuant to AB 1840.

Multiyear Projection

	2019-20	2020-21	2021-22
Surplus/Deficit	$18,555.00	$-	$-
Beginning Fund Balance	$5,245,906.33	$5,264,461.33	$5,264,461.33
Ending Fund Balance	$5,264,461.33	$5,264,461.33	$5,264,461.33
Required Reserves	$3,664,811.01	$3,393,240.42	$3,293,655.30

LACOE approved the district's 2019-20 adopted budget with the requirement that the district 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. A copy of LACOE's approval letter is included as Exhibit E.

Unaudited Actuals and General Fund Analysis

The unaudited actuals report has an unrestricted surplus of $3.43 million and a deficit of $2.06 million in the restricted fund balance. The unrestricted surplus is approximately $1.20 million more than what was initially estimated on the district's third interim report, and the restricted fund balance reflects just over $132,861 less than what was estimated. The district did reflect beginning balance adjustments from prior year audited ending balance activity in the third interim report with additional adjustments of $355,147, bringing the entire combined restatement balance to $804,169. In reviewing the district's general ledger, most of the restatements are from prior year tax payments that were improperly recorded and corrected as an audit adjustment during the delayed 2017-18 audit.

The restricted ending fund balance consists primarily of LEA Medi-Cal, restricted lottery, classified school employee block grant, low-performing students block grant, and redevelopment funds.

2018-19 Unaudited Actuals			
	Unrestricted	**Restricted**	**Combined**
Surplus/Deficit	$3,430,181.48	$(2,064,735.85)	$1,365,445.63
Beginning Fund Balance	$3,290,328.50	$3,395,625.64	$6,685,954.14
Restatements	$(733,734.21)	$(70,435.00)	$(804,169.21)
Adjusted Beginning Fund Balance	$2,556,594.29	$3,325,190.64	$5,881,784.93
Ending Fund Balance	$5,986,775.77	$1,260,454.79	$7,247,230.56

Upon review of the district's 2018-19 unaudited actuals, FCMAT found numerous issues that result in FCMAT expressing limited confidence in the unaudited actuals as submitted to LACOE. A detailed listing of some of the concerns can be found in Exhibit F. The district and LACOE are researching these variances and will work to resolve them. The audit of 2019-20 has been delayed until April 2020, and the independent auditor should address these discrepancies as warranted. Neither the district nor LACOE have reached the same conclusion as FCMAT. At a minimum the data demonstrates that the district is not monitoring its expenditures with the intensity required of a district with fiscal difficulties.

Growth and Maintenance of Budgetary Reserves

According to the 2019-20 adopted budget the district projects reserves of 4.04% for 2019-20, 4.36% for 2020-21, and 4.49% for 2021-22. Apportionments under AB 1840 are included in all years.

Status of Annual Audits

The district received its 2017-18 audit report in August 2019. The 2018-19 audit fieldwork will commence in January 2020 and will be filed with the State Controller's Office (SCO) by March 31, 2020. Thereafter, 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.

Organizational Reviews

School Services of California (SSC) was contracted to conduct a comparative analysis of the staffing in the Educational Services, Fiscal Services, Human Resources, Information Technology, and Maintenance and Operations departments. The review was to provide an objective analysis of the staffing levels in comparison with similar sized unified school districts. SSC obtained data from five California school districts with student enrollment and grade span similar to Inglewood USD.

SSC's report uses the district's FTE counts in the various departments and then compares that to the district's enrollment to get an enrollment-per-FTE to use as a comparison to the other districts. FCMAT went one step further and used the FTE count and compared that to the average FTE to see if the district was above or below that average. The table below shows how Inglewood USD compares to the other districts.

Department	Average per FTE		Enrollment per FTE	
Educational Services	20.17	Below	472	Above
Fiscal Services	15.61	Below	637	Below
Human Resources	8.86	Above	1,036	Below
Information Technology	13.83	Above	756	Below
Maintenance and Operations*	70.41	Above	159	Below

*The Maintenance and Operations Department has numerous vacant positions.

At the request of the district, Pupil Transportation Information (PTI), LLC was contracted to conduct an independent study in compliance with the requirements of AB 1840. PTI, LLC was to complete a comprehensive operations review that compares the needs of the district with similar districts and to provide data and recommendations regarding changes the district can make to achieve fiscal sustainability. 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 also 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. Due to certain findings in the report, the district approved a Phase II agreement with PTI, LLC for an additional $40,000 to assist the district with critical issues that need immediate remedy.

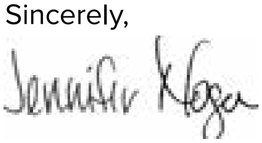
School/Facility Closure and Consolidation Plan

The district continues to make significant progress in developing a viable plan to address its excess school and other facilities that are inefficient. Multiple refinements have been made with quality and experienced consultants assisting district staff. The phased approach will allow the district to achieve long term operational efficiencies by right-sizing facilities to match student housing needs and generate significant lease or proceeds from sale revenue. The next steps of the planning phase include securing state and local regulatory approvals such as California Environmental Quality Act filings and determinations, and potential local land use considerations.

Conclusion

The county administrator, the executive cabinet and the advisory board have many critical roles and responsibilities in the district's recovery. Without continuous, consistent and strong leadership, the successful implementation of the district's fiscal stabilization plan and the facility closure and consolidation plan will be unlikely.

Sincerely,



Jennifer Noga
Intervention Specialist

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