30TH ANNIVERSARY FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

Annual Review

October 17, 2022

Los Angeles County Office of Education

Michael H. Fine
Chief Executive Officer

30TH ANNIVERSARY FCMAT FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

October 17, 2022

Debra Duardo, Ed.D., Superintendent
Los Angeles County Office of Education
9300 Imperial Highway
Downey, CA 90242

Dear Superintendent Duardo:

In February 2020, the Los Angeles County Superintendent of Schools entered into an agreement with the Fiscal Crisis and Management Assistance Team (FCMAT) to perform the following:

> Prepare an initial analysis of the county office fiscal oversight provided to the Inglewood Unified School District using FCMAT's County Office Evaluation Tool, and make recommendations for improvement, if any.

The February 2020 study agreement also covers follow-up annual evaluations.

This report contains the study team's findings and recommendations from the first annual evaluation of the county office's oversight of the Inglewood Unified School District.

FCMAT appreciates the opportunity to serve the Los Angeles County Office of Education and extends thanks to its staff for their cooperation and assistance during this review.

Sincerely,

Michael H. Fine
Chief Executive Officer

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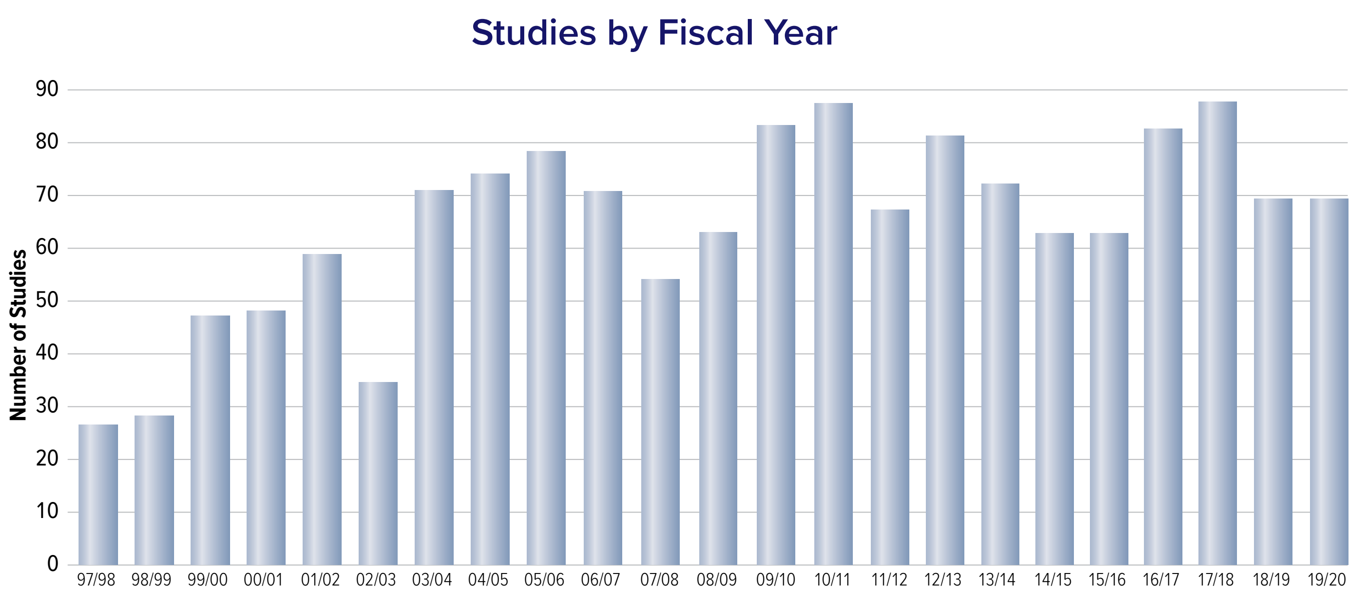
Table of Contents

About FCMAT

FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial, human resources and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices, support the training and development of chief business officials and help to create efficient organizational operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and inform instructional program decisions.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state superintendent of public instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the LEA to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.



FCMAT has continued to make adjustments in the types of support provided based on the changing dynamics of K-14 LEAs and the implementation of major educational reforms. FCMAT also develops and provides numerous publications, software tools, workshops and professional learning opportunities to help LEAs operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) division of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS). CSIS also hosts and maintains the Ed-Data website (www.ed-data.org) and provides technical expertise to the Ed-Data partnership: the California Department of Education, EdSource and FCMAT.

FCMAT was created by Assembly Bill (AB) 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. AB 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. AB 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county offices of education and school districts to work together locally to improve fiscal procedures and accountability standards. AB 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, Senate Bill 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.

On September 17, 2018 AB 1840 was signed into law. This legislation changed how fiscally insolvent districts are administered once an emergency appropriation has been made, shifting the former state-centric system to be more consistent with the principles of local control, and providing new responsibilities to FCMAT associated with the process.

Since 1992, FCMAT has been engaged to perform more than 1,400 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Michael H. Fine, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.

Introduction

Background

In September 2018, Governor Brown signed Assembly Bill (AB) 1840, making a significant change in how insolvent school districts are administered after they receive a state emergency appropriation. As part of that legislation, found in California Education Code Section 41326(l), the Fiscal Crisis and Management Assistance Team (FCMAT) was given the responsibility of reviewing the fiscal oversight performed by the county superintendent of schools for any district receiving an emergency apportionment. FCMAT is required to report its findings to the Legislature and to provide a copy of that report to the Department of Finance, the superintendent of public instruction (SPI), and the president of the State Board of Education (SBE). This report is required to include findings regarding fiscal oversight actions that were or were not taken, and may include recommendations for an appropriate legislative response to improve fiscal oversight of school districts.

In the years following the initial report on the fiscal oversight performed by the county superintendent of schools, FCMAT will perform annual reviews of the county superintendent's effectiveness in overseeing the district, assessing the county superintendent's involvement with the district during the course of its normal oversight responsibilities, including during the period that led to the district's declaration of insolvency.

In February 2012, the governing board of the Inglewood Unified School District declared the district fiscally insolvent. On September 14, 2012, the governor approved Senate Bill 533 (Chapter 325 2012), bringing the district under state receivership with a state-approved emergency appropriation of $55 million. This declaration occurred after several years of financial struggles and intense monitoring by the Los Angeles County Office of Education (LACOE). The issues that eventually led to the insolvency at the district were many but were punctuated by consistently overstating average daily attendance (ADA), understating California State Teachers' Retirement System payments, understating certificated salary expenses, continued deficit spending, and declining enrollment. In addition, the district experienced mismanagement, rapid and ongoing turnover in senior staff, and flawed facilities management. The district's administration and board made efforts to avoid the takeover with last minute expenditure reductions, but after years of deficit spending the district's structural budget imbalance was too large, and the district projected a negative cash balance would occur on March 31, 2013.

County Office Evaluation Guidelines

FCMAT entered into a study agreement with the Los Angeles County Superintendent of Schools on February 4, 2020 for both the initial and annual evaluations required by Education Code Section 41326(l). A study team visited the county office first on October 28, 2020 for the initial evaluation and on March 10, 2022 for the first annual evaluation to conduct interviews, collect data and review documents. Following fieldwork, the study team continued to review and analyze documents. This report is the result of those activities and actions related to the first annual evaluation.

FCMAT's reports focus on systems and processes that may need improvement. Those that may be functioning well are generally not commented on in FCMAT's reports. In writing its reports, FCMAT uses the Associated Press Stylebook, a comprehensive guide to usage and accepted style that emphasizes conciseness and clarity. In addition, this guide emphasizes plain language, discourages the use of jargon and capitalizes relatively few terms.

Study Team

The team was composed of the following members:

Joel Montero FCMAT Consultant	Nicolas Schweizer FCMAT Consultant
Misty Key FCMAT Consultant	Sheldon Smith FCMAT Consultant
Michelle Giacomini FCMAT Deputy Executive Officer	John Lotze FCMAT Technical Writer

Each team member reviewed the draft report to confirm accuracy and achieve consensus on the analysis.

County Office Evaluation Tool

FCMAT has developed the County Office Evaluation Tool (COET) for the initial and annual evaluations to help assess the effectiveness of a county superintendent of schools' fiscal oversight and support of school districts that have received an emergency apportionment.

The annual COET includes 14 questions and is intended to satisfy the requirements of EC 41326(l) regarding review and assessment of the county superintendent of schools' support related to a school district's recovery. The tool is focused on the status of the district's recovery, the continuing implementation of the Long Range Recovery Plan (LRRP), the role of the administrator or trustee, the multiyear financial projection (MYFP), and how the county superintendent is addressing elements that received an answer of "No" in the initial evaluation. FCMAT used the COET during interviews with multiple staff from both the district and the county office, and the district's administrator.

The COET identifies the key review elements performed by the county superintendent of schools in their fiscal oversight and support of the district and their ability to communicate effectively with the administrator, district staff, and advisory board. FCMAT also gathered information through an initial document request prior to the on-site interviews. The team's conclusions are compiled in the report as a narrative, with recommendations noted as appropriate. In addition, the team addressed questions related to the overall implementation of EC 41326(l) and has made recommendations to support that process, including a restatement of the administrator's specific roles and responsibilities.

The county superintendent's objective, supported by the administrator and other components of a recovery team (FCMAT, the California Collaborative for Educational Excellence, and LACOE), is to facilitate the full recovery and address the major elements of the LRRP of the Inglewood Unified School District so that it can govern independently, maintain solvency, and effectively support the education of all students.

Summary

The Los Angeles County Superintendent of Schools provides fiscal oversight to all of the county's school districts as a result of the original AB 1200 legislation signed into law in 1991 and expressed in Article 2, Chapter 6 of Part 24 of the California Education Code starting with Section 42120 and/or Section 1240(b). LACOE is the only county office of education that has responsibility for the county administration of a school district, the Inglewood Unified School District.

FCMAT assessed the county superintendent of schools' involvement with the district during the course of its normal oversight responsibilities and specifically during the period that led to the district's declaration of insolvency and beyond, up to and including the date of the initial evaluation. During the initial Education Code Section 41326(l) evaluation, FCMAT reviewed the fiscal oversight of the Inglewood Unified School District by the county superintendent of schools using documents prepared by county office of education staff. FCMAT asked a series of questions relating to the time leading up to the insolvency and reviewed the oversight practices of the county superintendent of schools.

The annual evaluation focuses on the status of the district's recovery, whether the district has made progress since the last evaluation, and how effectively the county superintendent of schools supports the district's staff, advisory board, and administrator in that process. In addition, the annual evaluation reviews any area from the initial evaluation that received an answer of "No" on the COET and determines if those issues have been addressed.

As a result of the annual evaluation, the team's findings indicate the county superintendent of schools has a significant focus on the district's recovery. In addition to the normal oversight responsibilities, the county superintendent of schools supplies the district with a number of county office of education staff members who work to help build the capacity of district employees. Progress toward recovery is slow and, according to interviews with both district and LACOE staff, is hampered by a variety of factors including declining enrollment, staff turnover, organizational struggles in the five operational areas of the LRRP, fiscal inconsistency, and lack of focus on student achievement. Both the county superintendent of schools and county administrator work conscientiously to support the recovery of the district within the guidelines contained in the California Education Code, and review carefully FCMAT's findings and recommendations in the annual comprehensive review of the district. LACOE staff expressed some concern that the comprehensive reviews are overly critical and do not adequately recognize the district's improvements in the five operational areas. In interviews, some staff stated that they believe that the process of the comprehensive review decreases staff morale and is partly to blame for the high rate of staff turnover. District staff indicated that receiving the results of the comprehensive reviews was at times difficult and cause for low morale; however, most felt that low salaries, numerous meetings, lack of administrative focus and the stress of working in a district that seems to be constantly starting over were equally problematic.

The overwhelming majority of staff interviewed from both LACOE and the district agreed that the district makes little annual progress and is no closer to recovery today than when the study team last visited the county office on October 28, 2020. Again, there were many reasons stated for this feeling of lack of progress, including staff turnover related to the salary schedule, past weak advisory boards, underenrolled schools, and unchanged student achievement. In the opinion of some, progress in the five operational areas is also inconsistent, with inadequate gain over time to allow predications of when normal governance would occur. Also, the unwillingness to downsize the district consistent with enrollment declines is an impediment to the fundamental, sustained progress of recovery.

The county administrator and LACOE have a firm understanding of the actions and procedural changes required to move the district to the next level of county trusteeship. The county administrator has created a comprehensive action plan to try to help the district grow and get it closer to this next level, but again, progress has been slow. The administrator continues to cultivate and foster the relationships and trust required for changing behavior, implement policy and procedural changes, and bring an optimistic outlook to the oversight process. In addition, the county administrator is visible to the community. Both the county administrator and the county office of education feel fully supported by each other.

There are concerns regarding the district's fiscal health. A review of the 2021-22 data found that deficit spending was projected in subsequent years. Staff identified multiple issues that could exacerbate the district's finances. Although there is a satisfactory awareness of future deficit spending, no district plan exists to mitigate the issue, including potential deficits that might be masked by the presence of one-time COVID-19 relief funds.

FCMAT found that communication among the county superintendent of schools, county office staff and county administrator in the current model of oversight was timely and consistent with a focus on district recovery.

The following section of this report focuses on FCMAT's implementation of the annual COET, including general findings and, in some cases, recommendations for improvement. All the areas assessed are listed below with an associated narrative. If a deficiency in the area is material, it is noted in the narrative.

This first annual evaluation report creates a baseline for future visits by FCMAT and should assist in monitoring the progress of the district's recovery and its eventual return to self-governance.

Findings

1. **Was the long-range recovery plan (LRRP) developed by the administrator within the statutory timelines? Alternatively, has the county office of education (COE) adopted the FCMAT Comprehensive Review in lieu of the LRRP?**

   LACOE and the district use the FCMAT comprehensive review in place of the LRRP. The last comprehensive review is dated July 2022. The comprehensive review is published annually to delineate progress toward proficiency in five operational areas that emphasize what a soundly run and achieving school district should include: community relations and governance; personnel; pupil achievement; finances; and facilities. The comprehensive review also includes recommendations for increased improvement in specific areas so the district can fully recover from the early dysfunction that was related to its insolvency.

   During interviews, multiple staff expressed their opinion that the comprehensive reviews are an impediment to their recovery because they are written as a deficit analysis and thus do not recognize the work the district is accomplishing and do not recognize growth. In the opinion of some, the comprehensive reviews are part of the reason for repeated chief business official (CBO) and other staff departures. Lack of progress toward proficiency was tied to the comprehensive reviews as well.

   Although LACOE's business services and financial advisory staff indicated that the comprehensive review was overwhelming to the district's administration and community, they also indicated that there are paths for the district to progress, but that the district often does not recognize them, hence progress toward recovery is slow.

2. **What role has the COE played in implementing the Long Range Recovery Plan?**

   Under the recently enacted AB1840 structure, the COE has not shied away from playing a vital role to support and serve the district and lead it out of its financial and operational challenges. It is clear that the district's recovery is a high priority for both the county superintendent of schools and LACOE.

   LACOE's business services and financial advisory staff closely monitor the district's MYFPs, budget, interim financial reporting, unaudited actuals, and other day-to-day fiscal operations, and have assigned staff to serve the district exclusively. The county administrator refers to LACOE as the LACOE support team, which consists of full-time LACOE employees, including an associate superintendent for the district, who report to the district daily to assist with its recovery in areas such as special education, student achievement, data analysis, human resources.

   The district CBO interviewed during fieldwork, who has since left the district, characterized LACOE fiscal support as having three levels:

   1. Standard fiscal support provided to all school districts
   2. Guidance to the district to implement and meet the comprehensive review recommendations
   3. Communication and governance guidance provided by the county administrator

   LACOE business services and financial advisory staff indicated that they perform extensive analyses of the district's fiscal operations. Even though LACOE staff are heavily involved in the district's fiscal affairs, all interviewed staff indicated that district staff turnover, low district capacity, low salaries, and “relentless catastrophe” force well-meaning employees out of the district, and that these factors impede district improvement in student achievement and sound governance. LACOE staff further stated that fiscal procedures and internal district fiscal monitoring have improved over the years but that other issues, such as deteriorating facilities that are underenrolled, create fiscal stress that further increases district staff turnover, low student achievement, ADA declines, and charter school growth. When asked whether LACOE would continue to support the district at the same level under a county trustee, staff reiterated that the district was a priority and would continue to be a focus.

3. What process has the COE used to monitor the progress of implementing the LRRP or the FCMAT Comprehensive Review for the district?

Many interviewees cited the monthly meeting with the LACOE support team and district staff as the primary indication of LACOE’s process for monitoring district progress for implementing the recommendations listed in the comprehensive review. There is minimal evidence that the comprehensive review is used as a guide, but it is unclear how much of the meeting focuses on district improvement or progress on the comprehensive review or handling of day-to-day issues since the previous meeting. The monthly meeting appeared to have the characteristics of a superintendent’s cabinet meeting, because no one spoke of a prescribed format or standing agenda. LACOE’s external fiscal staff indicated that the district’s Business Department is often in crisis mode and the focus “is on the immediate and not on the horizon.” Nevertheless, all the regular meeting invitees did confirm that the monthly meeting is where LACOE monitors progress and the district’s fiscal condition.

In addition, the district CBO at the time of fieldwork meets quarterly with LACOE’s external fiscal staff for guidance, monitoring, and support. LACOE’s external fiscal staff also indicated that the CBO and county administrator write and manage the MYFP. LACOE staff indicated that there is a fiscal stabilization plan for when COVID-19 revenues cease, but they did not expound on the elements of that plan.

The main elements of a LACOE process are the monthly meeting, and the identified members of a support team who work “hand-in-hand; side-by-side” with district counterparts, but there is a lack of identified outcomes or a timeline for them, milestones, assignments, progress monitoring, and communication toward meeting those outcomes. When interviewees were asked how far the district has to go in its recovery before exiting receivership, most answered with “50% there.” While any real, articulated process was difficult to fully identify, LACOE has directed numerous functions and foci toward the district’s recovery. The county superintendent of schools is dedicated to continuing a high level of support as the district gets back on track.

4. Does the COE have a plan for [the] incremental return of governance authority to the district's advisory board?

No evidence was provided to FCMAT about the advisory board’s incremental return to governance. In interviews, advisory board members emphasized that the advisory board is making progress but is dependent on the work the county administrator performs with the staff, LACOE and the community. Advisory board members indicated that the county administrator interacts with the advisory board more than the previous county administrator, and that the district is different with LACOE staff there, intimating that the advisory board relies on the county administrator for guidance and direction.

The comments from advisory board members were based on information learned from discussions with other districts' board members when participating in the California School Boards Association's Masters of Governance program. In FCMAT's October 2020 interview with the county administrator, she indicated that she communicates frequently with the advisory board so that they know what normal communication between a superintendent and board is. Her stated objective is to continue to build advisory board capacity, which is evident through the continued increase in average score on the Community Relations and Governance section of the FCMAT comprehensive reviews.

The district CBO indicated that the advisory board requires training and education so decisions can be made to fix fiscal and academic programs. Interviews included ample anecdotal evidence, especially regarding school closures, that the advisory board does not have a sound understanding of school governance. Multiple staff shared that the advisory board follows the principle of school governance by the community, under which the loudest voice often prevails.

5. Has the administrator developed a multiyear financial recovery plan in cooperation with the COE? Has the plan been implemented?

Other than the required three-year MYFP, there is no evidence of a multiyear financial recovery plan. There is discussion about the district paying off the emergency appropriation early, and there appear to be funds available for this purpose. It appears that LACOE's staff do not support early repayment, citing continuing declining enrollment, the need to address salary inequities, and the desire to use more resources to support student access and achievement as the main issues. The influx of COVID-19 relief dollars increased the district's ending balance. However, the high ending balance is temporary and tends to obscure the true fiscal picture, particularly related to addressing the findings and recommendations in all five areas enumerated in the comprehensive review.

The district CBO, who has since left the district, indicated that there is a fiscal stabilization plan, but it does not include the need to reduce the number of the district's school sites. An element of the fiscal stabilization plan is to repurpose the closed school property and create an ongoing revenue stream from leases. The fiscal stabilization plan was not shared with FCMAT.

6. What is the status of the district's budget in regard to deficit spending, fund balance, and reserve for economic uncertainties?

During FCMAT's fieldwork, the district's 2021-22 budget adoption unrestricted MYFP showed deficit spending of $2 million in 2022-23, increasing to $4.7 million in 2023-24. Fiscal year 2021-22 did not show deficit spending in the unrestricted budget because of one-time COVID-19 funds and the COVID-19 ADA hold harmless provision. Although the hold harmless provision ended in 2020-21, districts still benefit from it because of a calculation that uses years when it was applicable. The district admits to having a structural deficit that one-time COVID-19 funding masks but does not mitigate.

COVID-19 funding masked the district's structural deficit and artificially inflated the district's reserve for economic uncertainty. With declining ADA, it is unclear what funding sources are paying for specific staffing. This anomaly indicates issues with the district's budget development process related to staffing, bargaining, and planning for subsequent years.

Increasing deficits and budget pressure are exacerbated by the following three factors:

a. No cost containment on health benefits: health benefits are not capped, and they are offered to retirees. The district's cost is approximately $25,000 per employee, per year, whereas the statewide average for unified school districts is $14,958 per employee, per year.

b. Position control is not well integrated or maintained: Employee expenses are not accurate because of ongoing employee vacancies and staff shortages. Long-term vacancies create budget development issues because they make it hard to discern budgeted personnel expenses versus expended personnel costs. Interviews revealed that the district has no method for tracking employee pay by person rather than by individual identification numbers.

c. Underenrolled schools: The district has too many underenrolled schools. Multiple individuals interviewed shared that the advisory board had difficulty closing schools and that community pressure continues to be significant related to this issue. Many feel that the community is not ready to close schools.

Budget stress will continue until these issues are addressed and resolved.

7. What process does the COE use to assess cash flow?

LACOE's Business Services and Financial Advisory Services departments consistently monitor the district's cash flow and cash position; this occurs at least monthly. Each month, the county office reviews posted transactions, charter in lieu funding, and loan payments for reasonability. The county office has an ongoing procedure for monitoring cash monthly, as well as for the budget, interim, and unaudited actual financial reports. Although a prescribed process is in place, with the district's high current year ending balance (due to COVID-19 funding), there is little cash pressure. In a year without COVID-19 funding, the district and LACOE have to monitor cash carefully. The need to make in-lieu property tax transfers to the district's authorized charter schools creates a cash flow problem that must be mitigated by borrowing. The Los Angeles county treasurer has a process that allows the district to be cash negative to a certain level without penalty.

8. During the prior year, did the COE authorize, in cooperation with other state agencies, additional draws against the emergency appropriation, and, if so, is the receipt of the additional cash consistent with cash flow projections?

Of the $55 million authorized, the district drew $29 million, or 53% of the emergency state appropriation, from November 2012 through February 2013 because of negative cash flow projections, leaving a balance of $26 million available.

No draws against the emergency appropriation have been made during this fiscal year.

9. How were draws against the emergency appropriation used?

Not applicable.

10. Has the COE fulfilled all of the statutory requirements for fiscal oversight in accordance with all applicable sections of the Education Code?

The county superintendent of schools has fulfilled its statutory requirements for fiscal oversight in accordance with the applicable Education Code sections. LACOE has a well-established process and system for fiscal oversight of the district, as evidenced by documents and interviews, and has demonstrated a good understanding of the district's underlying issues.

11. Has the COE performed timely evaluations of the administrator?

The LACOE support team members are assigned full time to support the Inglewood Unified School District. They report to the district daily and are there to support the areas stated in this report. The county superintendent provides frequent communication, support and guidance to the county administrator, including weekly meetings as part of the evaluation process. A formal annual evaluation process for the county administrator has been in place since her appointment in 2019. The dates of the formal end-of-year evaluations are May 14, 2020, June 17, 2021 and May 24, 2022. The evaluations are directly aligned with the five operational areas in the comprehensive review, indicating measurable goals that support the district's recovery.

12. Has the administrator, in cooperation with the COE, created a plan to develop the district's advisory board's governance capacity? Is the plan being implemented?

The county administrator has worked closely with the county superintendent of school's office of general counsel to systematize appropriate training and supports for the district's advisory board of education. The county administrator and LACOE's deputy general counsel have implemented trainings regarding the Brown Act, the board's authority and role, and other board policies. In addition, LACOE's general counsel has conducted orientations for all newly elected board members.

The FCMAT Comprehensive Review also found that the district has updated board policies, is producing a monthly progress report, and is interacting with the community and the county administrator more than in past years. There is a trusting relationship between the advisory board and county administrator. The comprehensive review discusses observable advisory board and governance progress over the last five years; at the same time, many of the interviewees noted that, based on their experiences and interactions, the advisory board is underprepared, not capable of making hard decisions (e.g., school closure) and tends to yield quickly to community pressure.

There is an apparent disconnect among various parties' perceptions about the incremental return to local governance. On one hand, there is evidence that the advisory board and governance team is making progress; on the other hand, most individuals interviewed agree that there is no end in sight for county administration, that the advisory board is not ready for the incremental return of local governance in all areas, and that there is no perceivable timeline for the transition to a county trustee to regain local governance. A plan with a specific timeline for the district to exit county administration and transition to trusteeship must be created.

13. What is the current status of the district's recovery?

The county administrator, the county superintendent of schools, and the advisory board president all stated that the district is not ready to govern on its own. Interviewees indicated that the district is approximately halfway through its recovery, and cited staff turnover, past weak advisory boards, underenrolled and overstaffed schools, and unchanged student achievement as impediments to recovery. There has also been a general lack of consistent progress over time in the five operational areas, such that a return to local governance is still too far off to predict. It appears that returning the district to some level of self-governance, even under the supervision of a county trustee, is not in the foreseeable future. FCMAT asked numerous questions to determine if a potential timeline or plan might exist that would provide the staff and advisory board some indication of possible timing for when they might expect to make the transition from county administration. Responses ranged from “they are not ready” to “there is no hope.”

The comprehensive review has a stated end point or exit criteria, which is an average score of 6 with no individual standard less than a 4. FCMAT believes that if the district would focus on the standards that are incomplete, the scores on the review would increase and advancement to recovery will occur.

Progress toward recovery will continue to be the focus of the annual review process.

14. How has the county office addressed elements in the initial review that were designated as a "No" on the original assessment that was included in the final report?

FCMAT verified that all the review elements identified in the initial evaluation as a “No” have been appropriately addressed and/or mitigated, as evidenced in the documents provided by the county superintendent of schools, which it used to perform the AB 1200 oversight reviews.

General Conclusions and Recommendations

The Inglewood Unified School District has been under a combination of state and county receivership for 10 years. As of the time of this report it is not close to being able to transition from county administration to a county trustee. Most individuals interviewed agreed that the district has made more progress toward recovery since the transition to county oversight. Even so, however, most people interviewed agree that little progress has been made since the initial Education Code Section 41326(l) evaluation one year ago. In fact, when asked the question a year ago regarding progress toward recovery, the response was that the district was about halfway there, and the same answer was given this year.

In interviews of LACOE and district staff, many issues were cited as reasons for the lack of progress, including the FCMAT Comprehensive Review itself. It appears that this single issue has become somewhat of a focus and rationale by some to explain why the district remains in the same status. However, staff turnover related to the salary schedule, district function related to governance, systems issues throughout all five operational areas, and an inability to downsize the district consistent with enrollment are fundamental roadblocks to sustained progress toward recovery. The purpose of the FCMAT Comprehensive Review is to set an initial baseline for the district's recovery and to prioritize those areas that need immediate attention so that outside administration is in place only as long as is needed to stabilize finances and put adequate systems in place so the district can fully recover under the guidance of a county trustee. The assumption that the district must have fully recovered in all five operational areas before the transition to county trusteeship is erroneous. In medical terms, state or county administration is intended to be triage, and state or county trusteeship is continued healing. In the case of the district, state or county administration has become the norm rather than the exception. That needs to change.

In light of these findings, the county superintendent of schools should:

1. Work with the county administrator to create a plan with a specific timeline for the district to exit county administration and transition to trusteeship. This would allow the district advisory board to practice proper governance under the supervision of a county trustee and to hire a permanent superintendent to manage long-term recovery.
2. Request that the county administrator clarify the assumptions used in the district's MYFP.
3. Request that the county administrator review and communicate the district's budget development process so the district's expenditure reduction activities are effective in providing the most efficient and appropriate services for all children and so the fiscal and the operational benefits of such activities are understood by the advisory board and community.
4. With the county administrator create a multiyear executable plan to deal with underenrolled schools where there are excess facilities.
5. Attempt to combine school populations so that school sites are at or above 90% capacity.
6. Ensure the district's fiscal recovery plan is publicly available.
7. Improve the district's academic program using the recommendations from the California Collaborative for Educational Excellence and from FCMAT's Comprehensive Review so that the core academic programs can serve all children.

Other recommendations are included in the body of this report.

The next annual review will assess progress toward these goals.

The transition from state to county administration because of changes in law (AB 1840) is continuing to evolve. In part, the purpose of these annual evaluations is to clarify the roles and responsibilities of all the concerned and involved parties so that they can assist and support district recovery. This report attempts to assess the district's recovery status and the essential support provided by the county superintendent of school's office, thus establishing the baseline for the next annual evaluation, which will occur approximately one year from the publication of this report.

Appendices

A. Administrator Roles and Responsibilities

B. Study Agreement

Administrator
Roles and Responsibilities

When a school district becomes insolvent and requires an emergency state apportionment, the county superintendent of schools, under the supervision of the state Superintendent of Public Instruction (SPI), assumes control of the district to ensure its return to fiscal solvency.

The county superintendent of schools, with concurrence from both the SPI and the president of the State Board of Education, will appoint an administrator in accordance with relevant Education Code sections, including 41325, 41326, and 41327. The administrator serves under the direction and supervision of the county superintendent of schools, with concurrence from both the SPI and the president of the state board, until terminated by the county superintendent of schools, with concurrence from both the SPI and the president of the state board.

On behalf of the county superintendent of schools, the administrator shall perform the following functions:

1. Assume all legal rights, duties, and powers of the district's governing board, superintendent, and Personnel Commission, if applicable.
2. Assume control and oversight of all district fiscal, educational, programmatic and operational functions, with the primary objective of restoring fiscal solvency and returning the district to local control and governance.
3. Implement substantial changes in the district's fiscal policies and practices, including, if necessary, the filing of a bankruptcy petition (Chapter 9) to restructure the district's indebtedness.
4. Revise the educational program of the district to reflect realistic income projections and to improve pupil performance relative to state standards.
5. Represent the district in consultation with the governing board, the exclusive representatives of the employees, parents, other citizens, the community, and governmental agencies.
6. Encourage all members of the school community to accept a fair share of the burden of the district's fiscal recovery.
7. Consult with, and seek recommendations from, the county superintendent of schools, the SPI, and the Fiscal Crisis and Management Assistance Team in ensuring the fiscal recovery and solvency of the district.
8. Request the advice and assistance, as needed, of the California Collaborative for Educational Excellence.
9. Upon approval by the county superintendent of schools, enter into agreements on behalf of the district and, subject to any contractual obligations of the district, change existing district rules, regulations, policies, or practices as necessary for the effective implementation of fiscal recovery plans.
10. Certify that all necessary collective bargaining agreements have been negotiated and ratified, and that the agreements are consistent with the terms of the recovery plan.
11. Ensure that the district has completed all reports required by the county superintendent of schools and the administrator.

12. Determine, with concurrence from the county superintendent of schools and SPI, that future compliance by the district with the approved recovery plan is probable.

13. Discuss options for resolving the fiscal problems of the district with all of the following groups within 30 days of assuming authority, and consider, monthly or more frequently, information from one or more of the following groups:

    a. The governing board of the school district

    b. Any advisory council of the school district

    c. Any parent-teacher organization of the school district

    d. Representatives from the community in which the school district is located

    e. The district administrative team

    f. The Fiscal Crisis and Management Assistance Team

    g. Representatives of employee bargaining units

    h. The county superintendent of schools

14. Prepare or obtain the following reports and plans for approval by the county superintendent of schools and the SPI:

    a. A management review and recovery plan.

    b. A multiyear financial recovery plan, including a plan, to be submitted annually on or before July 1, to repay to the state any and all loans owed by the district.

    c. An annual report on the financial condition of the district, including, but not necessarily limited to, all of the following information:

        i. Specific actions taken to reduce district expenditures or increase income, and the amount of the resulting cost savings and increases in income.

        ii. A copy of the adopted district budget for the current fiscal year.

        iii. The amount of the district's budgetary reserve.

        iv. The status of employee contracts.

        v. Any obstacles to the implementation of the recovery plans.

        vi. Conduct, in consultation with FCMAT, comprehensive assessments in the following areas:

        vii. Financial management

        viii. Pupil achievement

        ix. Personnel management

        x. Facilities management

        xi. Community relations

15. Evaluate employees who report directly to the administrator and oversee the evaluation of other employees as defined by California law and district policy.
16. Review all district policies and procedures and make appropriate decisions for addition, deletion, or modification.
17. Provide leadership and direction in planning and financing school site additions or improvements, as needed, to meet growth needs, or in strategically identifying and coordinating school site consolidations and/or closures.
18. Identify and assess all potential and actual lawsuits against the district and determine potential settlement options or other resolutions.
19. Assist in related matters, as needed, regarding the district's fiscal recovery and solvency, and with the intent to return the district to local control and governance.

Study Agreement

FCMAT

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM

FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
STUDY AGREEMENT
February 4, 2020

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the Los Angeles County Office of Education, hereinafter referred to as the COE, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local education agencies (LEAs). In accordance with Education Code Section 41326(1), the team has been assigned to review the fiscal oversight performed by the COE specific to the district receiving an emergency apportionment. The team may include staff from FCMAT, county offices of education, the California Department of Education, or private contractors. All work shall be performed in accordance with the terms, standards and conditions of this agreement.

FCMAT is required to report its findings to the Legislature and provide a copy of the report to the Department of Finance, the superintendent of public instruction, and the president of the State Board of Education. The county superintendent will receive a copy of the final report. The final report will also be published on the FCMAT website.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

Prepare an initial analysis of the county office fiscal oversight provided to the Inglewood Unified School District using FCMAT's County Office Evaluation Tool, and make recommendations for improvement, if any.

B. Services and Products to be Provided

1. Orientation Meeting – The team will conduct an orientation session at the COE to brief COE management and supervisory personnel on the team's procedures and the purpose and schedule of the study.
2. On-site Review – The team will conduct an on-site review at the COE office and at the Inglewood Unified School District if necessary.
3. Draft Report – Electronic copies of a draft report will be delivered to the county superintendent for review and comment.
4. Final Report – Electronic copies of the final report will be delivered to the county superintendent following completion of the review. Printed copies are available from FCMAT upon request.

1

3. **PROJECT PERSONNEL**

The FCMAT study team will include:

A. Joel Montero	***FCMAT Retired CEO***
B. Nick Schweizer	***FCMAT Consultant***
C. Sheldon Smith	***FCMAT Consultant***
D. Misty Key	***FCMAT Consultant***

Other equally qualified staff or consultants will be substituted in the event one of the above individuals is unable to participate in the study.

4. **PROJECT COSTS**

Pursuant to Education Code 41326(1) , costs for the study shall be as follows:

A. All staff member and consultant daily rates and expenses will be covered by FCMAT's state apportionment.

B. **Based on the elements noted in section 2A, the total cost of the services is $0.**

5. **RESPONSIBILITIES OF THE COE**

A. The COE will provide office and conference room space during on-site reviews.

B. The COE will provide the following items:

1. Current or proposed detailed organizational charts.
2. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the COE and sent to FCMAT in electronic format.
3. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository, where the COE will upload all requested documents.

C. The county superintendent will review a draft copy of the report resulting from the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report. All such comments should be provided to the team within five working days after receipt of the draft.

2

Pursuant to Education Code (EC) 45125.1(c), representatives of FCMAT will have limited contact with pupils. The COE shall take appropriate steps to comply with EC 45125.1(c).

6. **PROJECT SCHEDULE**

Fieldwork will occur March 19, 2020.

7. **COMMENCEMENT AND COMPLETION OF WORK**

The FCMAT team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the COE and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. The COE understands and agrees that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the COE shall not request that it do so.

8. **INDEPENDENT CONTRACTOR**

FCMAT is an independent contractor and is not an employee or engaged in any manner with the COE. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the COE in any manner without prior express written authorization from an officer of the COE.

9. **INSURANCE**

During the term of this agreement, FCMAT shall maintain liability insurance of not less than $1 million unless otherwise agreed upon in writing by the COE, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. FCMAT shall provide certificates of insurance, with Los Angeles County Office of Education named as additional insured, indicating applicable insurance coverages upon request prior to the commencement of on-site work.

10. **HOLD HARMLESS**

FCMAT shall hold the COE, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement. Conversely, the COE shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.

11. CONTACT PERSON

Name: Debra Duardo, Ed.D.
Telephone: (562) 922-6111
E-Mail: Duardo_Debra@lacoe.edu

Debra Duardo 2/5/2020

Debra Duardo, Ed.D., County Superintendent Date
Los Angeles COE

Michael H. Fine February 4, 2020

Michael H. Fine Date
Chief Executive Officer
Fiscal Crisis and Management Assistance Team

4