



Los Angeles County Office of Education

Serving Students ■ Supporting Communities ■ Leading Educators

Debra Duardo, M.S.W., Ed.D.
Superintendent

April 10, 2023

**Los Angeles County
Board of Education**

James Cross
President

Yvonne Chan
Vice President

Judy Abdo

R. Michael Dutton

Betty Forrester

Stanley L. Johnson, Jr.

Monte E. Perez

Dr. James Morris, County Administrator
Inglewood Unified School District
401 South Inglewood Avenue
Inglewood, CA 90301

Dear Dr. Morris:

Pursuant to Education Code (EC) Section 42131, the Los Angeles County Superintendent of Schools (County Superintendent) has completed our review of the Inglewood Unified School District's (District) 2022-23 Second Interim Report. Our analysis of the data provided indicates that the District should be able to meet its financial obligations for the current fiscal year and subsequent two fiscal years. **We therefore concur with the District's positive certification** and offer our comments and concerns below.

FISCAL STABILIZATION PLAN

In our review of the District's 2022-23 Second Interim Report, we noted the District submitted an updated Fiscal Stabilization Plan (FSP) that identifies revenue enhancements and expenditure reductions totaling \$6.59 million. According to staff, the cost savings and expenditure reductions support the 2023-24 and 2024-25 salary adjustments reflected in the Second Interim Unrestricted General Fund multi-year projections. We also note the District projects significant Restricted General Fund expenditure decreases in 2023-24 and 2024-25 due to the expiration of one-time COVID funds. While the District has made measurable progress towards fiscal stability and meeting the conditions of Assembly Bill (AB) 1840, it is imperative that the District continue to implement the FSP revenue enhancements and expenditure reductions to sustain its fiscal stability. As such, **we require the District to provide an update on the Board-approved FSP with the 2023-24 Adopted Budget, due to our office by July 1, 2023.** The FSP update must include the implementation status of the planned reductions including alternative options for contingent expenditure reductions and/or revenue enhancements.

ENROLLMENT/ATTENDANCE AND STATE FUNDING

The District's 2022-23 Second Interim Report reflects declining enrollment of 7,436 for 2022-23, 6,831 for 2023-24 and 6,655 for 2024-25, with projected funded three-year average daily attendance (FADA) of 7,668, 7,265 and 6,484, respectively. The estimated impact on the District's projected FADA reflects a two-year loss totaling 1,184 FADA, representing a 15.44 percent decrease from the District's 2022-23 FADA. The District's FADA is greater than its projected enrollment due to the District using an average of the prior three years' ADA to calculate its LCFF entitlement.

AB 181 of the 2022-23 Budget Trailer Bill codified changes to the funding methodology used for Local Control Funding Formula (LCFF) funding calculations to mitigate against the precipitous enrollment and attendance losses due to the impact of COVID-19. However, continued declines in enrollment and attendance will result in a loss of revenue for the District in future years. Therefore, we recommend that the District carefully monitor its enrollment and attendance trends, and adjust financial projections for the current and subsequent fiscal years accordingly to reflect the resulting impact. Staffing needs and facilities planning should also be assessed and adjusted based on the projected rate of decline in enrollment.

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

DEFICIT SPENDING

The District is projecting an operating deficit of approximately \$7.99 million, representing 9.42 percent of the District's Unrestricted General Fund budgeted expenditures and other outgo for 2024-25. According to our review of the District's Second Interim Report, and as confirmed by the District, the projected deficit is primarily due to declining enrollment, and increasing contributions to pension and special education program costs. While the District projects it will continue to maintain the required level of reserves, deficit spending should be recognized and monitored so that it remains manageable.

CASHFLOW

The District's cash flow projection reflects sufficient cash balances for 2022-23 to meet its financial obligations. The District has a Board-approved inter-fund borrowing resolution in place with cash available in other funds in order to address any potential shortfalls during the year. We request that the District notify the County Office immediately if a cash shortfall is projected that cannot be covered through authorized inter-fund borrowing.

Dr. James Morris, County Administrator
Inglewood Unified School District
April 10, 2023
Page 3

CHARTER SCHOOL(S) OVERSIGHT

Education Code Section 47604.32 requires authorizing districts to ensure each charter school under its authority complies with all reports required by law, and to monitor the fiscal solvency of those charter schools. While all the Charter Schools are projecting positive ending balances for the 2022-23 Second Interim Report, EC Section 47604(c) specifies that an authorizing entity is not liable for the debts or obligations of an insolvent charter school if it has complied with all oversight responsibilities required by law. Therefore, we remind the District of their oversight responsibilities and the potential negative effect of the charter school's liabilities on the District's General Fund and reserves if those responsibilities are not met.

LABOR CONTRACT NEGOTIATIONS

This is a reminder that before the District's Board of Education takes any action on a proposed collective bargaining agreement, including a **Memorandum of Understanding**, the District must meet the public disclosure requirements of Government Code Section 3547.5 and the California Code of Regulations Title V, Section 15449. The document used for this analysis is included in Informational Bulletin No. 6570, dated July 20, 2022, and titled "2022-23 Forms for Assembly Bill 1200: Public Disclosure of Proposed Collective Bargaining Agreements." This document can be found at the following website:

<https://www.lacoe.edu/Portals/0/zBulletins/6570.pdf>

SPECIAL EDUCATION PROGRAM COSTS

The District's contributions to restricted programs have increased substantially in recent years, due primarily to increases in special education program expenditures. We remain concerned about the additional financial strain the increasing program expenditures have on the General Fund.

LOCAL RESERVE CAP

EC 42127.01 prohibits school districts from having assigned and unassigned fund balances in excess of 10 percent in the fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account, also known as the Proposition 98 Rainy Day Fund, exceeds 3 percent of the combined total of General Fund revenues appropriated for school districts statewide. This provision is commonly known as the reserve cap, **and is operative for the 2023-24 fiscal year**. School districts identified as Basic Aid or that have fewer than 2,501 ADA are exempt from the reserve cap.


Dr. James Morris, County Administrator
Inglewood Unified School District
April 10, 2023
Page 4

CONCLUSION

Thank you for providing documentation that supports the District's positive certification. The multiyear projections, with narrative and assumptions, were helpful in our analysis and verifying the District's financial condition. The information provided reflects the District's financial position and assumptions as of January 31, 2023, and further adjustments will be made during the year as additional data becomes available.

We hope these comments are helpful to the District's administration and Board as you plan for the remainder of 2022-23, and develop your projections for 2023-24, 2024-25 and 2025-26. We express our appreciation to the District staff for their cooperation during our review. If our office may be of further assistance, please call Octavio Castelo, Director, Business Advisory Services at (562) 922-6131, or Dionisio Brache, Business Services Consultant at (562) 922-6802.

Sincerely,



Karen Kimmel
Chief Financial Officer
Business Services

KK\DB:vb

- c: Brandon G. Myers., Board President, Inglewood Unified School District (IUSD)
- Dr. Marguerite Williams, Chief Business Official, IUSD
- Amalia Rivas, Executive Director of Fiscal Services, IUSD
- Tony Thurmond, State Superintendent of Public Instruction, California Department of Education (CDE)
- Mary Nicely, Ed.D., Chief Deputy Superintendent of Public Instruction, CDE
- Lisa Constancio, Deputy Superintendent of Public Instruction, CDE
- Debra Duardo, M.S.W., Ed.D., Los Angeles County Office of Education (LACOE)
- Octavio Castelo, LACOE
- Jeff Young, LACOE
- Jennifer Kirk, LACOE
- Dionisio Brache, LACOE
- Nkeiruka Benson, LACOE