



Los Angeles County Office of Education

Serving Students ■ Supporting Communities ■ Leading Educators

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

April 9, 2020

**Los Angeles County
Board of Education**

James Cross
President

Monte E. Perez
Vice President

Douglas R. Boyd

Betty Forrester

Alex Johnson

Ellen Rosenberg

Thomas A. Saenz

Mr. Fred Schambeck, Board President
Lowell Joint School District
11019 Valley Home Avenue
Whittier, CA 90603-3098

Dear Mr. Schambeck:

Under Education Code (EC) Section 42131, the Los Angeles County Superintendent of Schools (County Superintendent) has completed our review of the Lowell Joint School District's (District) 2019-20 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.

DEFICIT SPENDING

The District's Second Interim Report projects an operating deficit of approximately \$929,000, representing 3.3 percent of the District's unrestricted General Fund projected expenditures and other outgo for fiscal year 2020-21. The District also projects a deficit of approximately \$942,000, or 3.3 percent, for 2021-22. According to our review, and as confirmed by the District, the projected deficits are primarily due to, continued level of restricted program encroachment, rising cost of health benefits, and increasing employer contributions to PERS and STRS. While the District continues to maintain the required level of reserves, the projected level of deficit spending should be recognized and monitored so it remains manageable.

LABOR CONTRACT NEGOTIATIONS

According to the information provided in the District's 2019-20 Second Interim Report, classified labor contract negotiations for 2019-20 remain unsettled. However, the District indicates that estimated increases from a tentative settlement have been incorporated into budgeted salary and benefit expenditures.

Mr. Fred Schambeck, Board President
Lowell Joint School District
April 08, 2020
Page 2

This letter is a reminder that, before the District's Board of Education takes any action on a proposed collective bargaining agreement, 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. 5030, dated July 12, 2019, and is titled "2019-20 Forms for Assembly Bill (AB) 1200: Public Disclosure of Proposed Collective Bargaining Agreements." This document can be found at the following website:

<https://www.lacoe.edu/BusinessServices/DocumentsForms.aspx>

FINANCIAL UNCERTAINTIES

While the magnitude of the economic impact of the COVID-19 pandemic is unknown, we do know that the State is anticipating a significant decline in revenues, and Districts should be prepared to respond to the financial challenges that lie ahead accordingly. It is crucial that districts establish fiscal priorities, and carefully monitor and evaluate program spending. As the negative economic impact on State revenues becomes known, it will be critical that districts act quickly in evaluating and adjusting their current budget and multiyear projections to align with available resources to ensure fiscal solvency.

Districts should carefully monitor their cash flow projections, and plan to address any potential cash deficiencies in 2020-21. We strongly recommend that districts have Board-approved borrowing resolutions in place. In addition, for those districts who anticipate issuing Tax and Revenue Anticipation Notes (TRANs) to cover temporary cash shortfalls for 2020-21, the deadline to participate in the LACOE pooled TRANs is April 17, 2020.

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 of the 2019-20 Second Interim Report and in verifying the District's financial condition.

The information provided reflects the District's financial position and assumptions as of January 31, 2020, and further adjustments will be made during the year as additional data becomes available. We hope these comments are helpful to the District's administration and Board as you plan for the remainder of 2019-20, and develop your projections for 2020-21, 2021-22 and 2022-23.

Mr. Fred Schambeck, Board President
Lowell Joint School District
April 08, 2020
Page 3

We express our appreciation to the District staff for their cooperation during our review of the 2019-20 Second Interim Report. If our office may be of further assistance, please call me at (562) 922-6802.

Sincerely,


[Michael Jamshidi \(Apr 9, 2020\)](#)

Michael Jamshidi
Business Services Consultant
Business Advisory Services

MJ

cc: Jim Coombs, Superintendent
Andrea Reynolds, Assistant Superintendent, Administrative Services
Patricia Smith, Los Angeles County Office of Education (LACOE)
Jeff Young, LACOE
Jennifer Kirk, LACOE
Tracy Minor, LACOE
Nkeiruka Benson, LACOE