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Superintendent

August 31, 2020

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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 42127, the Los Angeles County Superintendent of School (County Superintendent) has completed our review of Lowell Joint School District's (District) 2020-21 Adopted Budget. The District's budget was prepared based on assumptions contained in the Governor's May Revision and guidance from our office, which assumed a significant reduction in Local Control Funding Formula (LCFF) revenue. However, the State's Enacted Budget removes the deficit factor from the LCFF revenues and provides for additional one-time revenues from the Federal CARES Act. **Our review has resulted in approving the District's Adopted Budget** with the following comments.

DEFICIT SPENDING AND RESERVE FOR ECONOMIC UNCERTAINTIES

The District's Adopted Budget projects an operating deficit of \$1.7 million, representing 2.7 percent of the Unrestricted General Fund projected expenditures and other outgo for fiscal year 2020-21. The District is also projecting operating deficits of \$6.9 million and \$10.7 million for 2021-22 and 2022-23, representing 10.3 percent and 15.7 percent, respectively. The available reserves are negatively impacted by deficits and are projected at 9.6 percent for 2020-21, 0.9 percent for 2021-22, and negative 3.3 percent for 2022-23. The projected available reserves do not meet the minimum required Reserve for Economic Uncertainties (REU) in 2021-22 and 2022-23.

As indicated above, the District's budget projections were developed based on the Governor's May Revision assumptions, which have since been significantly revised with the State's Enacted Budget. We recognize that when the District revises its budget to reflect additional revenues made available by the Enacted Budget, the projected deficits will decrease significantly and the available reserve levels will increase in the current and two subsequent fiscal years. We request that

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the District update its budget and multiyear projections to reflect these changes by processing the necessary budget adjustments for 2020-21 prior to submitting its First Interim Report, due to our office by December 15, 2020.

CASH FLOW

As indicated in our memorandum entitled, “2020-21 Updated Enacted Budget Guidance,” dated July 21, 2020, the Enacted Budget includes significant principal apportionment payment deferrals from 2020-21 to 2021-22. The estimated effects of these deferrals on the principal apportionment schedule for February through June 2021 are as follows:

- 45 percent from February 2021 to November 2021
- 70 percent from March 2021 to October 2021
- 70 percent from April 2021 to September 2021
- 70 percent from May 2021 to August 2021
- 100 percent from June 2021 to July 2021

The scheduled payment deferrals will have a significant negative impact on the District’s cash flow, and if not addressed, may cause disruptions in the District’s ability to meet its cash reserve requirements for 2020-21. We strongly encourage the District to update its cash flow projections to include the payment deferrals for 2020-21, and ensure any potential cash deficiencies are identified and addressed using short term cash management solutions. We request that the District continue to monitor its cash flow projections on a monthly basis and submit updated projections with the 2020-21 First Interim Report.

LABOR CONTRACT NEGOTIATIONS

According to the information provided in the District’s Adopted Budget, classified labor contract negotiations for 2020-21 remain unsettled and potential changes have not been calculated and incorporated into projected salary and benefit expenditures. 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. 5247, dated July 23, 2020, and is titled “2020-21 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>

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COVID-19 OPERATIONS WRITTEN REPORT

Executive Order N-56-20 requires that all districts complete a written report to explain the changes to program offerings that the district has made in response to school closures to address the COVID-19 emergency, the major impacts of such closures on students and families, and a description of how the district is meeting the needs of its unduplicated students.

While the COVID-19 Operations Written Report does not require approval by the County Superintendent, the report must be submitted in conjunction with the District Adopted Budget. This letter serves as an acknowledgement that our office has received the District's COVID-19 Operations Written Report for fiscal year 2020-21.

CONCLUSION

We wish to express our appreciation to the District's staff for their cooperation during our review of the District's adopted budget for fiscal year 2020-21. If you have questions regarding your District's budget approval, please call me at (562) 922-6802.

Sincerely,

Michael Jamshidi

[Michael Jamshidi \(Aug 31, 2020 12:08 PDT\)](#)

Michael Jamshidi
Business Services Consultant
Business Advisory Services

MJ

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