

August 31, 2018

TO: John A. Bowes, Ed.D., Superintendent
Davis Joint Unified School District

FROM: Jesse Ortiz, Ed.D., Yolo County Superintendent of Schools
Crissy Huey, Associate Superintendent, Administrative Services
Yolo County Office of Education

SUBJECT: REVIEW OF 2018/19 ADOPTED BUDGET

In accordance with the provisions of Education Code 42127 and 52070, the Yolo County Office Education's staff has reviewed the Local Control and Accountability Plan (LCAP) and adopted budget of the Davis Joint Unified School District for fiscal year 2018/19.

The District's 2018/19 adopted budget was developed using the best fiscal information available as of May of this year, and the District's budget and LCAP have been approved with the following comments:

MULTI-YEAR COMMITMENTS

It should be noted that the District has multi-year commitments funded by sources other than the General Fund. If revenues and/or sources of revenues designated for these multi-year commitments do not materialize, they would become the responsibility of the General Fund.

SALARY AND BENEFIT NEGOTIATIONS

According to the information provided in the 2018/19 adopted budget, salary and benefit negotiations for all bargaining units have been settled. It should be noted that the adopted budget does not have any dollars set aside for future salary considerations beyond the settled agreements and traditional step and column increases already on the salary schedule. The lack of reserves for funding negotiated settlements would require the use of unappropriated ending fund balance, additional reductions in spending, commitment of new revenues in future fiscal years, or any combination of the aforementioned if any on-schedule settlements are reached.

LOCAL CONTROL AND ACCOUNTABILITY PLAN SPENDING

The LCAP adopted by the Davis Board of Education includes a multi-year spending commitment. The District has a commitment to fund the actions and services described in the plan and to comply with the required minimal proportionality percentage (MPP) pursuant to Education Code section 42238.07.

The Yolo County Office of Education reviewed Davis' LCAP and identified necessary technical corrections that did not affect or impair the District's ability to carry out the educational components of the plan. The LCAP has been revised and is to be approved by the Board of Education in September, 2018.

ENROLLMENT

The District is projecting an increase in average daily attendance (ADA) for 2018/19 and 2020/21 with a decrease in 2019/20; net increase of 39 over three years. It is even more critical now for the District to closely monitor shifts in ADA among the grade spans, since funding under the Local Control Funding Formula (LCFF) is determined by grade span. The County Office of Education will also continue to review enrollment and attendance projections and provide the District with direction or assistance as needed.

MULTI-YEAR PROJECTION

The multi-year projection was based upon information that was available as of May 2018. The District is projecting it will be able to meet its financial obligations through 2020/21. However, we have noted that the District is projecting to deficit spend for the 2018/19 and 2019/20 fiscal years. Also, no other funds currently are projected to have deficit spending but some funds requiring inter-fund transfers from the General Fund to remain balanced. We urge the District to closely monitor spending from all funds and the potential detrimental impact it could have on the General Fund and reserves, particularly for those funds with ending fund balances that cannot continue to sustain the current levels of spending.

For COLA projections, the Yolo County Office of Education recommends School Services of California's (SSC's) Dartboard. The "LCFF calculator", maintained by the Fiscal Crisis and Management Assistance Team (FCMAT) is recommended for use in budget development and multi-year projections.

CASH MANAGEMENT AND DESIGNATION FOR ECONOMIC UNCERTAINTIES

The Designation for Economic Uncertainties is an amount that is set aside from unrestricted resources and is expressly for major unforeseen events that would otherwise jeopardize the budget plan. Such a designation is not for expenditures that are known or can be anticipated. We believe these percentages are the bare minimum, and a board policy for maintaining above the minimum reserves is recommended.

Currently, \$5,341,800 is designated for economic uncertainties, which complies with the requirement for a district of your size. We commend the Board for following best practices and adopting a reserve policy above the 3% minimum. This reserve, however, may not necessarily equate to available cash on hand to meet all payroll and other obligations, including other local risks.

ENACTED BUDGET 2018/19

The enacted State budget fully funded the "Gap" Funding in the LCFF. In addition, the State will pay discretionary one-time Proposition 98 funding of \$184 per ADA during fiscal 2018/19. Districts are advised to maintain expenditure flexibility, practice prudent long-term planning, and transparency to stakeholders allowing for changing priorities with the expectations for the LCAP and legislative mandates.

In closing, both the Davis Joint Unified School District and the School Board are to be commended for the extraordinary efforts in maintaining the District's fiscal solvency. We appreciate the cooperation and positive working relationship with your Business Office staff.

If you have any questions about the review of your adopted budget, please contact Crissy Huey at (530) 668-3722 (crissy.huey@ycoe.org) or Sandi Fowles at (530) 668-3719 (sandra.fowles@ycoe.org).

cc: Tom Adams, President, Board of Trustees, Davis Joint USD
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