

January 15, 2020

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

FROM: Garth Lewis, Yolo County Superintendent of Schools
Crissy Huey, Associate Superintendent, Administrative Services
Yolo County Office of Education

SUBJECT: REVIEW OF 2019/20 FIRST INTERIM REPORT

The Yolo County Office of Education's staff reviewed the District's 2019/20 First Interim Report in compliance with provisions of Education Code 42130. Also reviewed were the District's standards and criteria for fiscal stability under the provisions of Education Code 33127.

Based on the multi-year projections and assumptions provided by the District, it appears the District will be able to meet its financial obligations for the current and two subsequent fiscal years. The Yolo County Superintendent of Schools **approves** the District's positive certification of the First Interim Report with the following comments:

SALARY AND BENEFIT NEGOTIATIONS

According to the information provided in the 2019/20 First Interim Report, salary and benefit negotiations for all bargaining units have been settled for the current year.

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 were to dry up, they would become the responsibility of the General Fund.

ENROLLMENT

Similar to 2018/19, the District has experienced a decrease in enrollment in the current year. The First Interim Report assumes a decrease in enrollment for both 2020/21 and 2021/22 as well. We strongly encourage the District to closely monitor enrollment projections, making adjustments as necessary and implementing contingency plans should the enrollment projections not materialize.

MULTI-YEAR PROJECTIONS

The multi-year projection shows the District is able to meet its required reserves through fiscal year 2021/22. With the Local Control Funding Formula (LCFF), year-to-year funding changes are a result of changes in ADA, including shifting ADA between grade spans, unduplicated English Learners, Free and Reduced and Foster Youth counts and projected state cost-of-living-adjustments. We strongly encourage the District to monitor student unduplicated counts, and to perform a risk analysis of the ability to absorb changes in out-year funding estimates.

Also, while prioritizing new expenditures, we encourage the District to be mindful of the need to keep budgets aligned with their Local Control and Accountability Plan (LCAP), while maintaining fiscal flexibility and solvency.

In addition to general fund deficit spending in 2019/20, 2020/21 and 2021/22, it is noted that other funds are currently projected to have deficit spending, along with current negative cash balances. We urge the District to closely monitor this spending and the potential impact it will have on the General Fund.

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.

Currently, \$3,390,739 is designated for economic uncertainties, which complies with the 3% minimum reserve requirement for a district of your size. The District's average general fund cost of salary and benefits for one month is approximately \$7.5 million.

The County, as in the past, reminds school districts that a requirement of AB 1200 is to maintain a positive certification by having adequate cash and district reserves to meet the financial obligations for the current and two subsequent fiscal years.

JANUARY GOVERNOR'S BUDGET 2020/21

On January 10, 2020, the Governor released the first glimpse at the 2020/21 State Budget. While statewide K-12 ADA continues to decline, the proposed Prop 98 funding for K-12 schools and community colleges comes in at an all-time high of \$84 billion. The projected COLA for 2020/21 is 2.29%, which is 0.71% lower than what was projected in the 2019/20 Adopted State Budget. As a continued investment towards achieving AB 602 equalization, the budget also proposes a new special education base formula which includes a 15% increase for majority of LEAs over the amount provided in the 2019/20 Adopted State Budget. Similar to last year, the budget proposes one-time funding for school districts based on the number of preschool age children with exceptional needs, however instead of having flexibility, school districts will be required to allocate these funds for increased or improved services.

In addition to the notes included in this letter, the technical review questions and comments exchanged with District staff are an integral part of this approval. In closing, we appreciate the cooperation and positive working relationship with your business office. If you have any questions about the review of your First Interim Report, please contact Crissy Huey at (530) 668-3722 (crissy.huey@ycoe.org) or Veronica Moreno at (530) 668-3719 (veronica.moreno@ycoe.org).

c: Cindy Pickett, President, Board of Trustees, Davis JUSD
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