

January 16, 2018

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

FROM: Jesse Ortiz, Ed.D., Yolo County Superintendent of Schools
Tamara Ethier, Associate Superintendent, Administrative Services *te*
Yolo County Office of Education

SUBJECT: REVIEW OF FIRST INTERIM REPORT FISCAL 2017/18

The Yolo County Office of Education's staff reviewed the District's 2017/18 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 2017/18 First Interim Report, salary and benefit negotiations for the bargaining units have not been settled for certificated or management. In addition, it was noted the District does not have any dollars set aside for future salary considerations beyond the cost of 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.

The District should consider building in contingencies for emerging expenditure requirements from the CalSTRS, CalPERS pension obligations and the rising costs of health insurance.

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

The First Interim Report assumes an increase in enrollment for the current fiscal year 2017/18, and flat enrollment for the next two fiscal years 2018/19 and 2019/20. 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 2019/20. 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. 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 as projected by the Department of Finance's LCFF funding assumptions.

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.

We noted the general fund is projected to have deficit spending for two fiscal years; 2017/18 and 2018/19. Also, we noted other funds are 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, \$6,624,200 is designated for economic uncertainties, which complies with the requirement for a district of your size.

The County as in the past reminds school districts of the requirement of AB1200 to maintain a positive certification by having adequate cash and district reserves to meet the financial obligations for the current year and two subsequent fiscal years.

In closing, we appreciate the cooperation and positive working relationship with your Associate Superintendent of Business Services, Bruce Colby and Director of Fiscal Services, Omaira Reyna. If you have any questions about the review of your First Interim Report, please contact Tamara Ethier at (530) 668-3722 (tamara.ethier@ycoe.org) or Sandi Fowles at (530) 668-3719 (sandra.fowles@ycoe.org).

c: Tom Adams, President, Board of Trustees, Davis JUSD
Bruce Colby, Associate Superintendent, Business Services, Davis JUSD
Omaira Reyna, Director, Fiscal Services, Davis JUSD
Sandi Fowles, Director, External Business Services, YCOE