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

April 15, 2021

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Board of Education**

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Mr. Matt Smith, Board President
Temple City Unified School District
9700 Las Tunas Drive,
Temple City, CA 91780

Dear Mr. Smith:

Pursuant to Education Code (EC) Section 42131, the Los Angeles County Superintendent of Schools (County Superintendent) has completed our review of the Temple City Unified School District's (District) 2020-21 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 below.

FISCAL STABILIZATION PLAN

In our 2020-21 First Interim letter dated January 15, 2021, we requested District address deficit spending through submission of a Board approved Fiscal Stabilization Plan (FSP) with the 2020-21 Second Interim report. We noted in our review that the District has submitted a Board-approved FSP, with detailed expenditure reductions in 2020-21, 2021-22, and 2022-23, to address on-going deficit spending.

DEFICIT SPENDING

For the 2020-21 fiscal year, the District is projecting an operating deficit of \$2.20 million, representing 4.43 percent of the District's Unrestricted General Fund projected expenditures and other outgo. The District is also projecting operating deficits of \$0.75 million and \$2.30 million, representing 1.47 percent and 4.40 percent for 2021-22 and 2022-23, respectively. According to our review of the District's Second Interim Report, and as confirmed by the District, these projected deficits are primarily due to declining enrollment, increases in STRS and PERS employer contributions, Special Education contributions, and spending down of prior year carry-over. While the District projects it will maintain the required level of reserves, we recommend District continue to recognize and monitor the projected trend of deficit spending so it remains manageable.

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DECLINING ENROLLMENT AND REDUCED STATE FUNDING

The District's 2020-21 Second Interim Report reflects declining enrollment with projected average daily attendance (ADA) of 5,463 for 2020-21, 5,471 for 2021-22, and 5,342 for 2022-23. The estimated impact of the declining enrollment on the District's projected ADA reflects a two-year loss totaling 121 ADA, representing a 2.21 percent decrease from the District's 2020-21 ADA. This rate of projected decline in enrollment represents a loss of revenue for the District in the current and future years. We recommend that the District continue to assess and adjust staffing needs and facilities planning for upcoming years based on the projected rate of decline in enrollment. We remind the District that EC Section 42238.5(a)(1) allows districts with declining attendance to continue to receive funding based on **the greater of** prior year or current year actual attendance. This provides a one-year delay for loss of revenue due to declining enrollment/attendance. However, the District will continue to lose State funding over time as enrollment declines, and it must carefully monitor enrollment trends and adjust its financial projections accordingly for the current and subsequent fiscal years if further material reductions in enrollment occur or are expected to occur.

Pursuant to the provisions of Senate Bill (SB) 98, EC 43502 ADA is held harmless for the 2020-21 fiscal year using 2019–20 Second Principal Apportionment and Annual Principal Apportionment figures. Pursuant to provisions of SB 820, EC Section 43505(b)(2), 2021-22 ADA will be funded based on the greater of the prior year ADA (FY 2019-20) or the **current year** ADA.

CASH FLOW

The District's 2020-21 Second Interim cash flow projections reflect the scheduled payment deferrals of principal apportionments for the months of February to June 2021 into the following fiscal year while indicating sufficient ending cash balances to cover ongoing financial obligations and cash reserve requirements for the remaining periods in 2020-21. **We request the District continue to monitor its cash flow projections on a monthly basis and submit updated projections with the 2021-22 Adopted Budget, due to our office by July 1, 2021.**

LABOR CONTRACT NEGOTIATIONS

According to our review of the District's Second Interim Report, certificated and classified labor contract negotiations for 2020-21 remain unsettled, and potential changes have not been calculated and incorporated into projected salary and benefit expenditures. As a reminder, 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

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Assembly Bill (AB) 1200: Public Disclosure of Proposed Collective Bargaining Agreements.” This document can be found at the following website:

<https://www.lacoe.edu/Portals/0/zBulletins/5247.pdf>

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 and verifying the District's financial condition. The information provided reflects the District's financial position and assumptions as of January 31, 2021, 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 2020-21, and develop your projections for 2021-22, 2022-23 and 2023-24. We express our appreciation to the District staff for their cooperation during our review. If our office may be of further assistance, please call me at (562) 940-1704.

Sincerely,

Merle S. Ordoñez

Merle Ordoñez
Business Services Consultant
Business Advisory Services

MSO:vb

cc: Kimberly Fricker, Ed.D., Superintendent
Mercedes Gomez, Interim Chief Business Official
Alexa Koch, Director of Fiscal Services
Patricia Smith, Los Angeles County Office of Education (LACOE)
Octavio Castelo, LACOE
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