March 2, 2017

Dr. Lani Cupchoy, Board President
Montebello Unified School District
123 S. Montebello Blvd.
Montebello, CA 90640

Dear Dr. Cupchoi:

Under Assembly Bill (AB) 1200 (Chapter 1213/Statutes 1992), AB 2756 (Chapter 52/Statutes 2004) and Government Code Section 3547.5, the Los Angeles County Superintendent of Schools has reviewed the Montebello Unified School District’s (District) “Public Disclosure of Collective Bargaining Agreement” (Disclosure) concerning an agreement with the Montebello Teachers Association (MTA) bargaining unit. The agreement is for the period from July 1, 2016, through June 30, 2017, and is scheduled for the District’s Governing Board action on March 2, 2017.

The agreement provides for an ongoing 0.4 percent salary increase effective July 1, 2016. The increase is based on contingency language from the 2015-16 agreement between the District and the MTA. The District projects an ongoing increase of approximately $681,000 in total employee compensation costs in 2016-17.

With the cost of the proposed agreement incorporated, the Disclosure projects Reserve for Economic Uncertainties (REU) of 4.9 percent for 2016-17 and 3.3 percent for 2017-18 and 2018-19. The projected REUs are based in part on the following assumptions:

- A $10.3 million of unallocated expenditure reduction in 2017-18
- A $24.8 million of unallocated expenditure reduction in 2018-19

Because of our continued concerns about the District’s fiscal solvency, our letter dated January 6, 2017, requested the District submit to our office an updated fiscal stabilization plan (FSP) by February 17, 2017.

The District submitted a FSP on February 17, 2017, which does not appear to reflect the fiscal impact of the proposed settlement. Therefore, we request the District incorporate the fiscal effect of the settlement, should it be ratified by the District’s Board, and submit a revised plan with its 2016-17 Second Interim Report, due to our office on or before March 17, 2017.

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The Disclosure uses the latest Local Control Funding Formula (LCFF) funding assumptions for the 2016-17 and two subsequent years. However, there are no statutory guarantees that the LCFF will be funded in future years at the current projected levels. In addition, the State Board of Education (SBE) regulations require specific uses of the Supplemental and Concentration Grants of the LCFF funds that may limit or restrict allocating all or portions of those funds in any expenditure categories not deemed to directly benefit the District's unduplicated pupils. We recommend the District be prepared to adjust its projections as appropriate based on the potential changes in LCFF funding levels and to meet the SBE regulations' requirements.

We wish to express our appreciation to the District staff for their cooperation during the review of the AB 1200 public disclosure and salary settlement analysis. If our office can be of further assistance, please call me at (562) 922-6802.

Sincerely,

Michael Jamshidi
Business Services Consultant
Division of Business Advisory Services

MJ:lc

cc: Anthony J. Martinez, Ph.D., Interim Superintendent of Schools
Ruben Rojas, Chief Business Officer
Peter Foggia, California Department of Education
Betty Yee, California State Controller
Scott Price, Ph.D., Los Angeles County Office of Education (LACOE)
Keith D. Crafton, (LACOE)
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