



3939 Thirteenth Street
P.O. Box 868
Riverside, California
92502-0868
(951) 826-6530

47-110 Calhoun Street
Indio, California
92201-4779
(760) 863-3000

24980 Las Brisas Road
Murrieta, California
92562-4008
(951) 600-5651

**Riverside County
Board of Education**

Jeanie B. Corral

Ray "Coach" Curtis

Bruce N. Dennis

Barbara Hale

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Elizabeth F. Romero

Wendel W. Tucker, Ph.D.

DATE: September 14, 2016

TO: Dr. Sid Salazar, District Superintendent
Mrs. Carolyn M. Wilson, Board President
Mr. Michael Bishop, Interim Assistant Superintendent
Mr. Kirk Skorpanich, Assistant Superintendent
Alvord Unified School District

FROM: Kenneth M. Young, Riverside County Superintendent of Schools

BY: Teresa Hyden
Chief Business Official
(951) 826-6790

Cynthia Glover Woods
Chief Academic Officer
(951) 826-6648

Subject: 2016-17 ADOPTED BUDGET and LCAP - APPROVAL

The County Superintendent of Schools is required to review and approve the district's Local Control and Accountability Plan or the annual update to an existing Local Control and Accountability Plan prior to the approval of the district's Adopted Budget [Education Code Section 42127(d)(2)].

Adopted Local Control and Accountability Plan

In accordance with California Education Code (EC) Section 52070, our office has completed its review of the district's 2016-17 Local Control and Accountability Plan (LCAP) to determine whether it adheres to the guidelines adopted by the State Board of Education (SBE).

The district's adopted LCAP has been analyzed to determine whether:

- The plan adheres to the template adopted by the State Board of Education;
- The budget includes sufficient expenditures to implement the actions and strategies included in the plan, based on the projected costs included in the plan; and
- The plan adheres to the expenditure requirements for funds apportioned on the basis of the number and concentration of unduplicated pupils.

The district's adopted LCAP has been analyzed in the context of the guidance provided by the California County Superintendents Educational Services Association (CCSESA) and the California Department of Education (CDE). Based on our analysis, the district's Local Control and Accountability Plan for the 2016-17 fiscal year has been approved by the Riverside County Superintendent of Schools. Our goal is to further enhance the performance of students by offering commendations and suggestions for the implementation of the plan and the development of the *Annual Update* and the 2017-18 LCAP.

Student Achievement

Closing the achievement gap and ensuring all students are prepared for college and career is a priority under the Local Control Funding Formula (LCFF). As noted in the table below, significant gaps are evident between subgroups and between all students in comparison to statewide performance.

| Metric | State Average | White | African American | Hispanic | English Learner | Low Income | Students w/ Disabilities |
|-----------------------|---------------|-------------|------------------|-------------|-----------------|-------------|--------------------------|
| % of Alvord USD | | 10.6 | 3.7 | 78.6 | 38.2 | 79.3 | 9.9 |
| % UC A-G Enrollment | | 97.5 | 93.8 | 97.2 | 94.8 | 96.9 | 80.9 |
| % UC A-G Completion | 48.6 | 37.9 | 27.0 | 27.8 | 8.5 | 28.7 | 3.7 |
| % EAP – ELA / Math | 23.0 / 11.0 | 20.1 / 6.5 | 11.4 / 4.4 | 10.1 / 2.1 | 0.0 / 0.0 | 10.0 / 2.1 | 2.5 / 1.6 |
| % CAASPP – ELA / Math | 44.1 / 33.8 | 49.4 / 39.4 | 35.5 / 20.5 | 30.1 / 20.2 | 11.8 / 9.0 | 29.7 / 20.0 | 5.4 / 5.2 |
| % Suspension | 3.80 | 1.92 | 4.24 | 2.08 | 2.23 | 2.30 | 4.40 |

The district has set aspirational and challenging target outcomes in its 2016-17 LCAP for the following significant subgroups who have consistently struggled based on Alvord’s historic data:

- Native Hawaiians
- Hispanic/Latino
- African American
- English Learners (ELs)
- Students with Disabilities
- Socioeconomically Disadvantaged

The district is to be commended for differentiating outcomes for **significant subgroups** who are underperforming academically or overrepresented in suspension and expulsion data, particularly the English Learner, African American, and Students with Disabilities subgroups.

Now that baseline scores have been identified on the California Assessment of Student Performance and Progress (CAASPP), we recommend that the district continue setting differentiated improvement targets for those significant subgroups that are performing below the state average, the district average, and/or below the highest performing subgroup. We encourage you to continue setting aspirational and challenging *Expected Annual Measurable Outcomes (EAMO)* targets for all outcomes and for all subgroups. This would be supported by differentiating actions to accelerate underperforming subgroups based on data and priorities.

Noted in the table below is the Title III Annual Measurable Achievement Objectives (AMAO) data. The district is commended for implementing actions that have allowed English Learners to meet AMAO 1, AMAO 2a, and AMAO 2b for the past four years.

Although the 2016-17 Title III accountability data will be published after the 2016-17 LCAP is developed and approved, it is recommended that the district review data for 2015-16 performance and identify formative measures of English Learner progress and intervene immediately if actions are not producing expected results. Continue identifying additional actions that accelerate the achievement of English Learners.

| Title III Annual Measurable Achievement Objectives (AMAO) Trends | | | | | | | | | |
|--|--------|--------|------|---------------------------------------|--------|------|-------------------------------------|--------|------|
| | AMAO 1 | | | AMAO 2a (Less Than 5 Years Cohort) | | | AMAO 2b (5 Years or More Cohort) | | |
| | AUSD | Target | Met? | AUSD | Target | Met? | AUSD | Target | Met? |
| 2015-2016 | 64.6% | 62.0% | Yes | 29.6% | 25.5% | Yes | 64.0% | 52.8% | Yes |
| 2014-2015 | 66.4% | 60.5% | Yes | 31.2% | 24.2% | Yes | 65.3% | 50.9% | Yes |
| 2013-2014 | 67.8% | 59.0% | Yes | 31.5% | 22.8% | Yes | 67.7% | 49.0% | Yes |
| 2012-2013 | 68.8% | 57.5% | Yes | 34.2% | 21.4% | Yes | 66.9% | 47.0% | Yes |

Monitoring Progress

In order to be responsive to those actions that are working or not working, we continue to recommend utilizing a process that continually assesses the progress of each planned action and its effectiveness in reaching the *Expected Annual Measurable Outcomes* specified in your plan. Identifying leading indicators for progress on goals that can be shared with stakeholders on a regular basis will increase the community commitment to the plan. This will also allow you to clearly articulate, in the *Annual Update* section of the plan, whether the planned actions/services were effective. The statements of effectiveness must go beyond the mere indication of whether the action was completed or not and should clearly articulate the effect the action had on achieving the desired outcomes for all students or identified student subgroups for the specified goals.

Additional Metrics to Consider

The purpose of the LCAP is to ensure that all students graduate from high school with the skills to be successful in both college and career. This work cannot wait until high school, nor can it be successful without more specific focus by grade level and by subgroup.

A focus group was convened by the Riverside County Office of Education in 2014-15 to review research on K – 12 college readiness indicators and identify those that would align with the LCAP and have greatest impact. As a result of the focus group research, we recommend that LEAs consider additional college readiness indicators for various grades including but not limited to:

- Score of Level 3 or Level 4, “Standard Met” or “Standard Exceeded,” as indicated on the Smarter Balanced Summative Assessment in Reading and Mathematics at grades 3, 5, 8, and 11 by subgroup. (State Priority 4)
- Chronic absentee rates by grade level and subgroup at the following grades – Kindergarten, 1, 2; last grade of elementary (5 or 6); first grade of middle school (6 or 7); first grade of high school (9 or 10). (State Priority 5)
- Percent of students earning passing grades – C or better – in English and Mathematics at the exit grades from elementary (5 or 6) and middle school (8 or 9) by subgroup and gender. (State Priority 8)
- Suspension and expulsion rates by subgroup and gender for “disproportionality.” (State Priority 6)
- Percent of students failing two or more classes at grade 9 by subgroup and gender. (State Priority 8)

Describing Use of Supplemental and Concentration Grant Funds and Proportionality

The purpose of the LCAP *Section 3* is to ensure that all unduplicated and underperforming students receive increased or improved services in proportion to the increased funding received to serve those identified students in order for them to graduate from high school with the skills to be successful in both college and career.

In *Section 3A*, the justification for using funds districtwide and/or schoolwide should include a description of why this use of funds is most effective and why it is more effective than using the funds to target the students by subgroup in order to meet the district goals. Having a high population of unduplicated students is not in and of itself a justification for districtwide and/or schoolwide use. In addition, when funding is allocated to schools for schoolwide use, a description of how the district will ensure that the schools are implementing actions and that those actions are effective in meeting the district's goals in the eight state priority areas is necessary.

In *Section 3A*, the description noted above is for the dollars received for the 2016-17 school year and should reference the actions that are being implemented for the 2016-17 LCAP year in addition to those implemented in the previous year.

In *Section 3B*, the district is asked to describe how services for the unduplicated students have increased or improved as compared to services provided to all students in proportion to the increase in funding received to serve those students. This is a cumulative process of increasing services until the district is fully funded.

Alvord provided a clear description of the increased and improved services for the LCAP year, demonstrating proportionality. The district is commended for broadly describing the services identified in the LCAP from the previous year(s), and then describing those services being added in the current LCAP year. This demonstrates that the district is maintaining and building its support for unduplicated students proportionally each year and increases the transparency of the plan for the stakeholders. We recommend in *Section 3B* that the district continues to broadly describe the services identified in the LCAP from the previous year(s), and then describe those services being added in the current LCAP year. This will be important as, by 2020-21, this section will need to demonstrate that the district has increased or improved services to reflect 100 percent of its supplemental and concentration funds at full implementation.

Adopted Budget

In accordance with California Education Code (EC) Section 42127, our office has completed its review of the district's 2016-17 Adopted Budget to determine whether it complies with the criteria and standards adopted by the State Board of Education (SBE) and whether it allows the district to meet its financial obligations for the 2016-17 fiscal year, as well as satisfy its multi-year financial commitments.

The district's Adopted Budget has been analyzed in the context of guidance provided by our office, based on the Governor's 2016-17 May Budget Revision. Based on our analysis of the information submitted, we approve the district's budget, but note the following concerns:

- *Operating Deficit* – Multi-year financial projections indicate a General Fund operating deficit for the current and two subsequent fiscal years.
- *Declining Enrollment* – The district's projections indicate declining enrollment for the current and two subsequent fiscal years.
- *Cafeteria Special Reserve Fund (Fund 13)* – In our review, we noted that Cafeteria Special Reserve Fund (Fund 13) is projecting an ending fund balance of the 2016-17 of \$15,057. This

does not appear to be sufficient for an operating budget of \$13.1 million. Our office is requesting the district provides multi-year financial projections for the Cafeteria Special Reserve Fund with the submission of the First Interim Financial Report.

The following pages provide further details on the district's 2016-17 Adopted Budget. In addition to this analysis, current law as enacted through AB 2756 (Chapter 52, Statutes of 2004) also requires the County Superintendent to review and consider any studies, reports, evaluations, or audits that may contain evidence a district is showing fiscal distress. Our office did not receive any such reports for the district.

LCFF Gap Funding – For purposes of determining the potential gap funding increase, the district has estimated 54.84 percent for the 2016-17 fiscal year, 73.96 percent for 2017-18, and 41.22 percent for 2018-19. The district will evaluate and reduce expenditures as necessary should gap funding increases not materialize.

Unduplicated Pupil Percentage – The district reports an unduplicated pupil percentage of 79.89 percent for 2016-17, 80.49 percent for 2017-18, and 80.53 percent for 2018-19. The district's unduplicated pupil percentage included in the 2015-16 P2 certification by the California Department of Education is 80.58 percent.

Employee Negotiations – As of the board date, June 23, 2016, the district reports salary and benefit negotiations continue with both the certificated and classified bargaining units for the 2016-17 fiscal year. Prior to entering into a written agreement, California Government Code (GC) Section 3547.5 requires a public school employer to publicly disclose the major provisions of a collective bargaining agreement, including but not limited to, the costs incurred in the current and subsequent fiscal years. The disclosure must include a written certification signed by the district superintendent and chief business official that the district can meet the costs incurred by the district during the term of the agreement. Therefore, please make available to the public and submit a disclosure to our office at least ten (10) working days prior to the date on which the governing board is to take action on a proposed agreement.

Our office continues to recommend districts establish contingency plans to address future funding uncertainties related to gap funding for LCFF. Further, with the programmed escalation of costs for both retirement systems and the normal operating cost increases, we recommend districts continue to maintain reserves higher than the minimum, update multi-year financial projections regularly, and closely monitor cash balances.

The district's adopted budget was developed prior to adoption of the 2016-17 Adopted State Budget. Actual state budget data should be reviewed and incorporated into the district operating budget and multi-year projections during the First Interim Reporting process.

During our review of the district's Local Control and Accountability Plan, we noted the following:

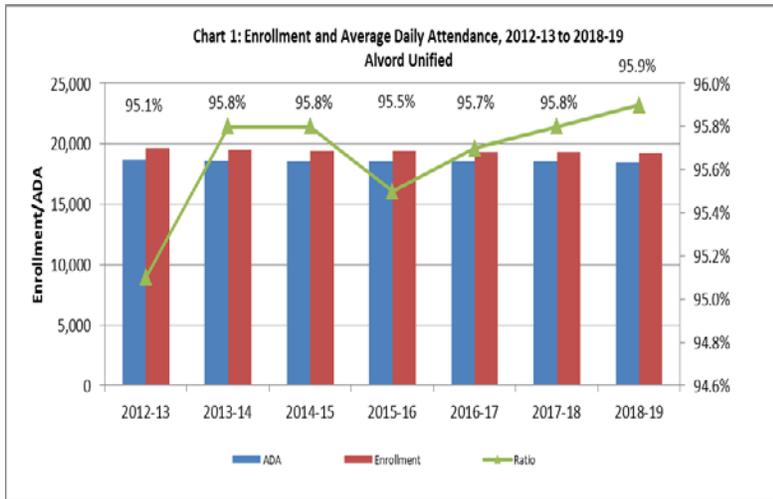
- Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula to increase and/or improve services to targeted student populations. If S&C grant funds, used to serve the targeted pupil population, have been underinvested each fiscal year, it may be difficult for the district to demonstrate the minimum proportionality percentage at full implementation.

Our office commends the district for its efforts thus far to preserve its fiscal solvency and maintain a quality education program for its students. If we can be of further assistance, please do not hesitate to contact our office.

2016-17 Adopted Budget Report

Alvord Unified School District

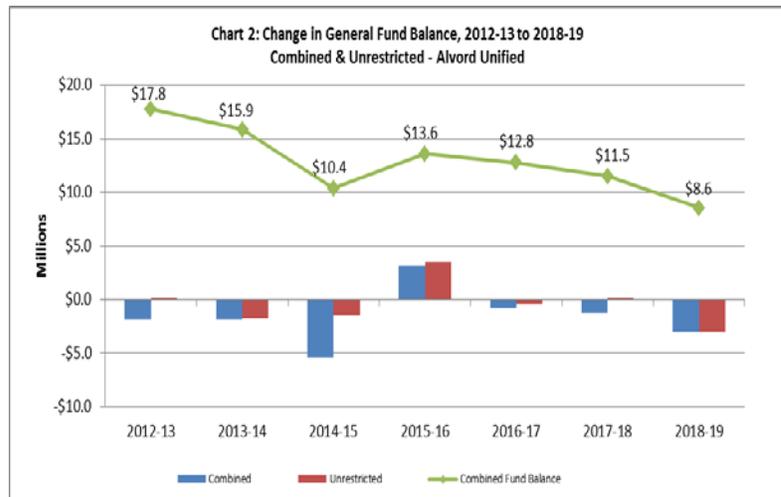
Enrollment and Average Daily Attendance (ADA)



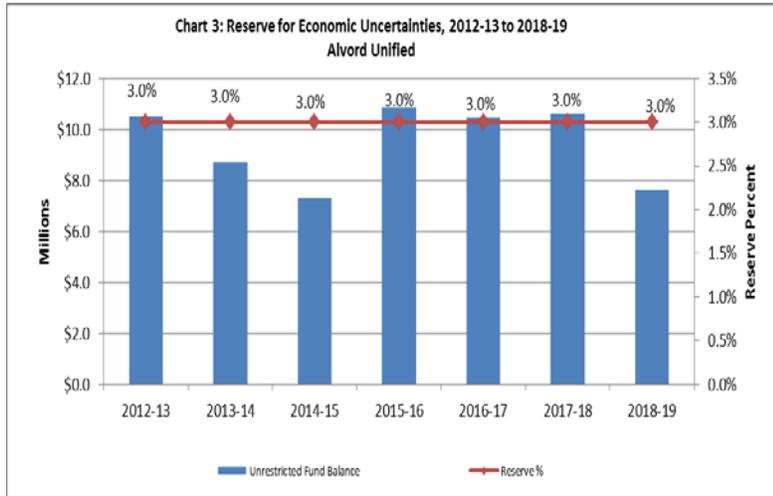
The district's projected ADA to enrollment ratio (capture rate) for 2016-17 is 95.7 percent, which is within the historical average ratio for the three prior fiscal years. The district estimates 18,545 ADA for the current fiscal year, or a 0.02 percent increase from the 2015-16 P-2 ADA. For 2017-18 and 2018-19, the district projects a 0.2 percent decrease in each year.

Fund Balance

The district's Adopted Budget indicates a positive ending balance for all funds in the 2016-17 fiscal year. However, for the General Fund, the district anticipates expenditures and uses will exceed revenues and sources by \$0.8 million in 2016-17, \$1.3 million in 2017-18, and \$3.0 million in 2018-19, reducing the district's unrestricted ending fund balance to \$7.6 million in 2018-19. Chart 2 shows the district's deficit spending historical trends and projections. The district will be monitoring their deficit spending.



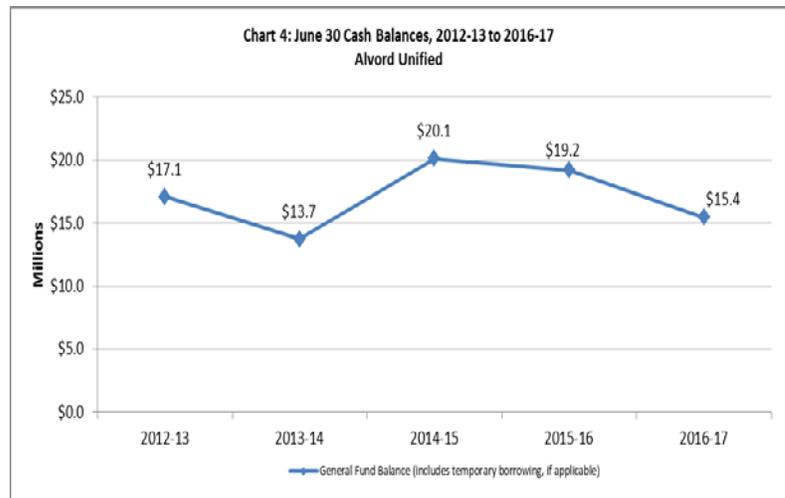
Reserve for Economic Uncertainties



The minimum state-required reserve for a district of Alvord Unified’s size is 3 percent. Chart 3 displays a summary of the district’s actual and projected unrestricted General Fund balance and reserves. The district projects to meet the minimum reserve requirement in the current and subsequent fiscal years.

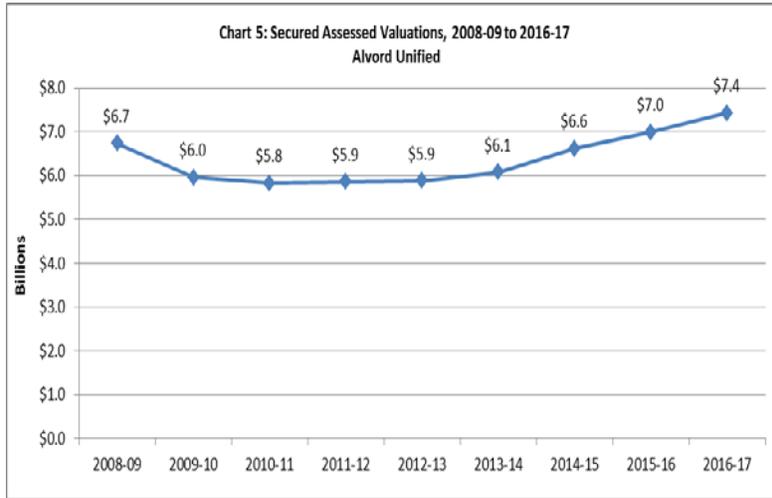
Cash Management

The district currently has a \$7.47 million 2016-17 tax and revenue anticipation note (TRAN) with repayments scheduled for January and April 2017. Chart 4 provides a historical summary of the district’s June 30th General Fund cash balance. Based on the budget’s cash flow analysis, the district projects a positive General Fund cash balance of \$15.4 million as of June 30, 2017. This balance does not include any temporary borrowings, and the district’s internal cash resources appear sufficient to address cash flow needs in the current year.



Our office recommends the district continue to closely monitor cash in all funds to ensure sufficient resources are available. In addition, our office strongly advises districts to consult with legal counsel and independent auditors prior to using *Cafeteria Special Revenue Fund (Fund 13)* and *Building Fund (Fund 21)* for temporary interfund borrowing purposes to remedy cash shortfalls.

Assessed Valuations



The Riverside County Assessor's Office has estimated secured assessed valuations will increase by 5.08 percent countywide in 2016-17. Chart 5 displays a historical summary of the district's secured property tax assessed valuations.