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DATE: September 14, 2016

TO: Mr. Michael R. McCormick, District Superintendent
Ms. Shelly Yarbrough, Board President
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Val Verde Unified School District

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

BY: Teresa Hyden Chief Business Official (951) 826-6790
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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. However, following are commendations and suggestions for the implementation of the plan and the development of the *Annual Update* and the 2017-18 LCAP.

2015-16 Plan Implementation

The *Annual Update* provided specific data in the *Actual Annual Measurable Outcomes* aligned to the *Expected Annual Measurable Outcomes (EAMOs)*. Data was differentiated by subgroup for various metrics and the district indicated if each EAMO was met or not met. An *assessment of the effectiveness of specific actions* was included for each *Actual Action/Service* to indicate if the LEA was effective at implementing particular actions/services or meeting particular targets. Finally, changes in actions, services, and expenditures were indicated after each goal and strengthened by outcome statements and results of stakeholder input.

Stakeholder Engagement

In a review of the *Stakeholder Engagement* section, the plan provided a clear description of stakeholder engagement and impact on the *Annual Update*. The district utilized a new stakeholder survey with input from bargaining units and a family survey available in English and Spanish. There was an increase in survey participation with specific data regarding survey participation by families, staff, and students. Specific modifications were made to the LCAP based on parent feedback. Goals include feedback from various agencies and stakeholders. Data points were listed as well as actions linked to data.

In the spirit of continuous improvement, it is recommended that the district disaggregate feedback from survey results by stakeholder group. In addition, it was noted that several parent groups including the Parent Advisory Committee and District English Learner Advisory Committee were provided LCAP updates and opportunities for input on multiple dates but only one date was listed for the African-American Success Committee. It is recommended that multiple opportunities be afforded to each of the various parent groups.

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 Val Verde USD		5.5	14.9	74.1	22.0	81.0	10.0
Goal 1							
% UC A-G Enrollment		93.9	95.6	97.1	89.3	97.0	72.3
% UC A-G Completion	48.6	48.8	46.8	45.7	5.1	45.9	5.4
% EAP – ELA / Math	23.0 / 11.0	22.1 / 9.3	14.0 / 3.4	16.1 / 4.1	0.0 / 0.0	17.1 / 4.0	0.0 / 1.1
% CAASPP – ELA / Math	44.1 / 33.8	50.0 / 34.6	32.0 / 16.0	37.1 / 22.2	11.9 / 11.0	35.2 / 21.2	6.0 / 4.4
Goal 3							
% Suspension	3.80	5.2	10.50	4.00	4.39	5.35	10.37

The district is to be commended for disaggregating data for required and local metrics based on the subgroup data included in the *Identified Need* for Goals 1 and 3. It is recommended that the district consider setting disaggregated subgroup targets in the *Expected Annual Measurable Outcomes (EAMOs)* in addition to reporting disaggregated data in *Identified Need*. For example, now that baseline scores have been identified on the California Assessment of Student Performance and Progress (CAASPP) results, consider setting differentiated improvement targets for those significant subgroups. We encourage you to consider setting aspirational and challenging 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. Examples:

- The 2016-17 LCAP Goal 1 states, “College and Career Ready: Students graduating from the Val Verde Unified School District will possess the academic and technical skills required to pursue college and career options of their choosing.” In the *Expected Annual Measurable Outcomes* section, the metrics generally focus only on all students, and a few include subgroup targets. By including differentiated, accelerated subgroup targets supported by actions and services targeted to subgroups, the district will demonstrate the commitment to closing the achievement gap for all students.
- While the enrollment in A-G coursework is typically high in Val Verde, and overall percent completing UC/CSU required course sequence has increased, and is nearing the state average, as did all subgroups including but not limited to African American, Hispanic, Low Income, English Learners, and Students with Disabilities. The completion rate, however, is significantly below the state average for English Learners and Students with Disabilities.
- College readiness as measured by EAP increased from 14.2 percent to 17 percent in English Language Arts (ELA) and from 2.6 percent to 4 percent in Math for the districtwide average. Overall, the district and each subgroup perform below the state average in both ELA and Math, with English Learners and Students with Disabilities subgroups at 0 percent. It is noted that the district significantly increased the percentage of students demonstrating “Conditional Ready” status in ELA as measured by EAP increasing from 14 percent to 36 percent but decreased in mathematics from 50 percent to 14 percent. The EAMO in Goal 1 for EAP is to increase by 5 percent overall and for each subgroup over 100. It is recommended that the district consider setting differentiated, accelerated subgroup targets in the EAMOs supported by actions and services targeted to subgroups in addition to reporting disaggregated data in *Identified Need*.
- In Goal 1, it is evident that the district is including a variety of local metrics in *Identified Need* and *Expected Annual Measurable Outcomes* demonstrating the district’s commitment to measuring student progress toward college and career readiness including Early Literacy scores for students in grades K-2, students achieving “Conditional Ready” status or higher on the Early Assessment Program (EAP) exam, Career Technical Education (CTE) participation rate, SAT participation rates, and percentage of grades 10-12 students participating in Advanced Placement (AP) tests with current performance rates for each metric disaggregated by subgroup in *Identified Need*. Consider setting aspirational and challenging EAMOs for each metric for each subgroup.
- In Goal 3, it is evident that the district differentiated outcomes for the African American subgroup due to the overrepresentation of this subgroup of students in suspension and expulsion data. It is recommended that similar differentiated outcomes be considered for Students with Disabilities who are also disproportionately represented in suspension and expulsion data and that planned actions/services in Goal 3 include differentiated actions/services designed to achieve these outcomes.

English Learners

Noted in the table below is the Title III Annual Measurable Achievement Objectives (AMAO) data. It is evident that the district included various metrics related to English Learner progress in learning English and attaining proficiency including AMAO 1, AMAO 2a, and 2b and reclassification rate in the *Identified Need* and *Expected Annual Measurable Outcomes* in Goal 1. In reviewing the data, we observed that AMAO 1 has been decreasing each year and that target has not been met for the last three years. Also, while meeting/exceeding the targets, the results data for AMAO 2a have been generally flat while the

target for AMAO 2b has not been met for the last four years. Reclassification rate, however, has increased from 2014-15 (12.9 percent) to 2015-16 (16.8 percent).

Title III Annual Measurable Achievement Objectives (AMAO) Trends									
	AMAO 1			AMAO 2a (Less Than 5 Years Cohort)			AMAO 2b (5 Years or More Cohort)		
	VVUSD	Target	Met?	VVUSD	Target	Met?	VVUSD	Target	Met?
2015-2016	54.7%	62.0%	No	26.2%	25.5%	Yes	38.4%	52.8%	No
2014-2015	56.3%	60.5%	No	29.7%	24.2%	Yes	42.9%	50.9%	No
2013-2014	57.9%	59.0%	No	29.6%	22.8%	Yes	40.9%	49.0%	No
2012-2013	58.3%	57.5%	Yes	31.3%	21.4%	Yes	44.6%	47.0%	No

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.

Monitoring Progress

In *Stakeholder Engagement, Annual Update* section, the district indicated, “A presentation of the Local Control Funding Formula (LCFF) and Local Control and Accountability Plan (LCAP) including quantitative and qualitative district data related to each of the eight state priorities (referred to from this point forward as “the presentation”) was presented at all stakeholder meetings. Data included in the presentation: attendance, participation in Family Engagement Center events, graduation rate, dropout rate, reclassification rate, A-G completion rate, EAP results of college readiness, CTE pathway completion rate, suspension rate, and expulsion rate.” This appears to be inclusive of summative data and outcomes. In order to be responsive to those actions that are working or not working, consider describing the monitoring process used to frequently assess the progress of each planned action and adjust as needed to ensure all goals are met. 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. Inclusion of *implementation* data in addition to *outcome* data would provide additional information to stakeholders. It is also recommended that the district clearly articulate for stakeholders the method used to *progress monitor students for achievement leading to attainment of College and Career readiness* as indicated in Goal 1, Action/Service 1.10.

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.

Section 3A, should include a description of, and justification for, the use of any funds in a districtwide or schoolwide manner. 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, the district indicates that *the use of the monies is determined by the School Site Councils based on student achievement data and survey results and are accounted for in the site's Single Plan for Student Achievement (SPSA)*. In addition to accounting for funds in SPSAs, the LCAP would be strengthened by a description of how the district will ensure that the schools are implementing actions funded with supplemental and concentration dollars and how those actions are effective in meeting the district's goals in the eight state priority areas.

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. It is evident that the district listed services identified in the previous year's LCAP and described those services being added in the current LCAP year, which is 2016-17. 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. 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. To increase clarity, it is recommended that the district indicate the specific goal number and/or action/service number in *Section 2* to which each increased/improved service from *Section 3B* can be attributed.

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 substantial General Fund operating deficit for the current and two subsequent fiscal years.
- *Flat Enrollment* – The district’s projections indicate flat enrollment for the two subsequent fiscal years.

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 50.00 percent for the 2016-17 fiscal year, 50.00 percent for 2017-18, and 35.00 percent for 2018-19. The district is utilizing lower projected LCFF gap percentages as their contingency plan should gap funding increases not materialize.

Unduplicated Pupil Percentage – The district reports an unduplicated pupil percentage of 82.42 percent for 2016-17, 82.29 percent for 2017-18, and 82.04 percent for 2018-19. The district’s unduplicated pupil percentage included in the 2015-16 P2 certification by the California Department of Education is 83.23 percent.

Employee Negotiations – As of the board date, June 14, 2016, the district reports salary and benefit negotiations are complete with both the certificated and classified bargaining units for the 2016-17 fiscal year. Effective July 1, 2016, the classified agreement provided for an increase to the salary schedule by 2.42 percent. Effective July 1, 2016, the certificated agreement provided for an increase in total compensation by 3.5 percent in a manner to be determined by the association. Additionally, class sizes shall be in accordance with the fully implemented Class Size Memorandum of Understanding dated March 3, 2014.

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:

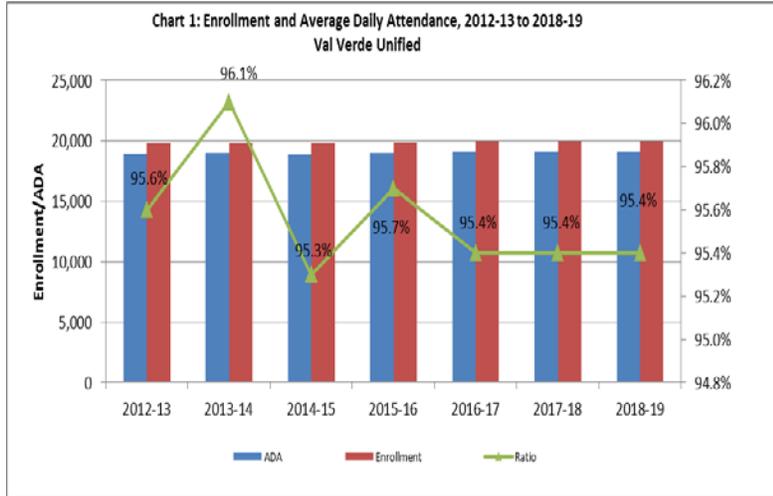
- The district’s LCAP included *Section 4: Expenditure Summary* which is not part of the template adopted by the State Board of Education. We recommend that the section be removed from the district's posted LCAP and that it be disclosed to your board. In like manner, that section will not be included on the County’s posting of the district's LCAP.
- 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

Val Verde Unified School District

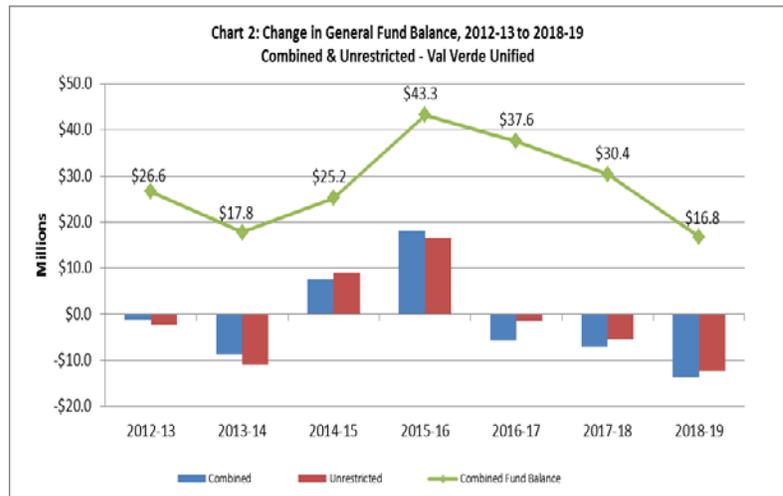
Enrollment and Average Daily Attendance (ADA)



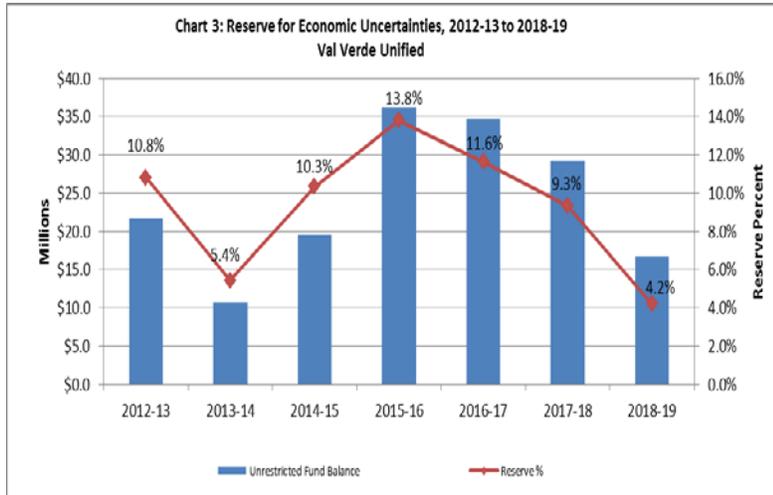
The district's projected ADA to enrollment ratio (capture rate) for 2016-17 is 95.4 percent, which is within the historical average ratio for the three prior fiscal years. The district estimates 19,098 ADA for the current fiscal year, or a 0.5 percent increase from the 2015-16 P-2 ADA. For 2017-18 and 2018-19 ADA is projected to remain flat.

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 \$5.7 million in 2016-17, \$7.2 million in 2017-18, and \$13.6 million in 2018-19. Chart 2 shows the district's deficit spending historical trends and projections. The district indicates deficit spending is due to the opening of Orange Vista High School, carryover, and increases to California State Teachers' Retirement System and California Public Employees' Retirement System.



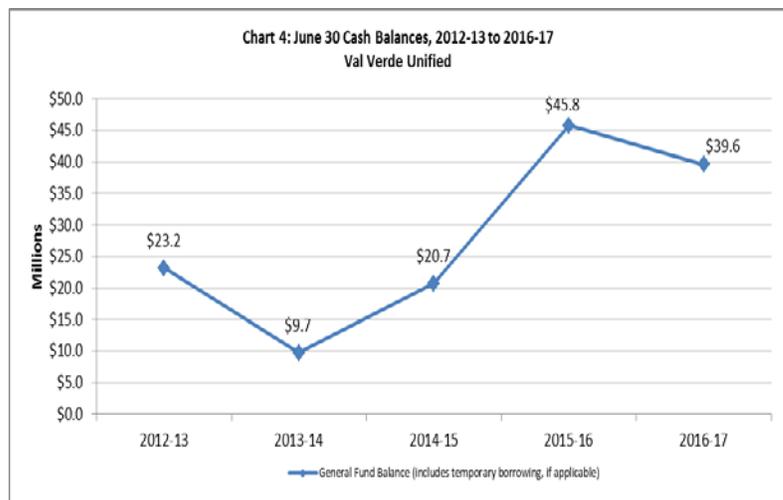
Reserve for Economic Uncertainties



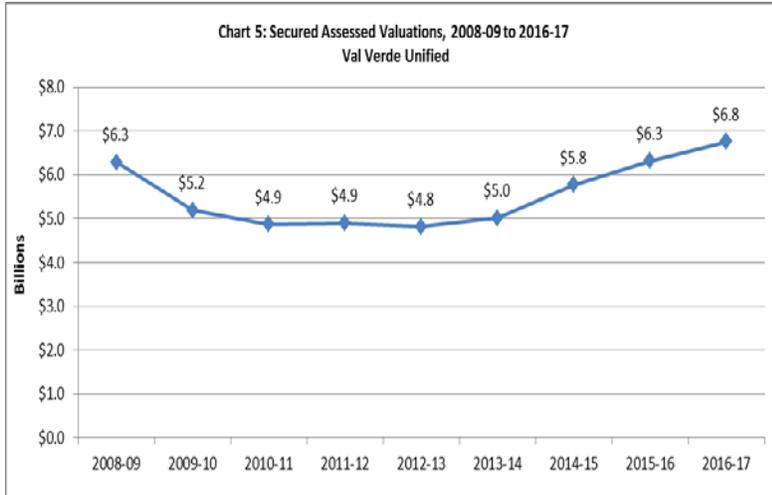
The minimum state-required reserve for a district of Val Verde Unified’s size is 3.0 percent. Chart 3 displays a summary of the district’s actual and projected unrestricted General Fund balance and reserves. The district projects to meet the minimum reserve requirement in the current and subsequent fiscal years.

Cash Management

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 \$39.6 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.