



Riverside County
Board of Education

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DATE: September 14, 2017

TO: Mrs. Christi Barrett, District Superintendent
Mr. Victor Scavarda, Board President
Mr. Vince Christakos, Assistant Superintendent
Ms. Tracy Chambers, Assistant Superintendent
Hemet Unified School District

FROM: Judy D. White, Ed.D., Riverside County Superintendent of Schools

BY: Teresa Hyden  Chief Business Official
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SUBJECT: 2017-18 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 2017-18 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 2017-18 fiscal year has been approved by the Riverside County Superintendent of Schools. Our goal is to further enhance the performance of students by providing feedback and inquiry questions that will support your refinement of the 2017-18 Local Control and Accountability Plan to close the achievement gap in metrics that impact student preparedness for college and career.

Student Achievement

The purpose of the LCAP is to ensure that all students graduate from high school with the skills needed to be successful in both college and career. Riverside County Office of Education conducted a review of research on K-12 college readiness indicators to identify those that would align with the LCAP purpose and have greatest impact. As a result of this research, we recommend that local educational agencies closely monitor the metrics listed in the data table below for all student groups.

Hemet Unified School District								
Metric	Year	State Average	White	African American	Hispanic	English Learner (EL)*	Low Income (LI)	Students w/ Disabilities (SWD)
% of Enrollment	2017		27.4	8.6	56.9	13.3	80.6	13.8
% UC A-G Enrollment	2017		95.0	94.9	95.0	86.4	94.7	73.7
% UC A-G Completion	2016	45.4	38.4	25.8	35.1	3.5	31.2	3.0
EAP – % ELA College Ready	2016	26	26.1	7.5	14.0	0.0	13.1	2.5
EAP – % Math College Ready	2016	13	10.1	2.1	5.1	0.0	5.1	2.5
CAASPP – Grade 3 ELA % Met/Exceeded	2016	43	40	19	29	7	25	9
CAASPP – ELA % Met/Exceeded	2016	49	48.2	23.3	32.8	5.9	31.8	7.9
CAASPP – Math % Met/Exceeded	2016	37	33.9	13.3	20.9	5.4	20.0	5.1
CAASPP Distance from Level 3 – ELA	2016							
CAASPP Distance from Level 3 – Math	2016							
% Suspension	2016	N/A	6.0	12.9	5.6	4.9	7.3	13.9
% Chronic Absenteeism		N/A						
% EL Progress to English Proficiency	2016					25.5		
% Completing One or More CTE Pathways	2015		19.6	11.9	15.2	14.3	0.0	0.0
Graduation Rate	2016	83.2	83.1	73.3	82.5	78.9	80.4	60.2
CAASPP – California Assessment of Student Performance and Progress CTE – Career Technical Education EAP – Early Assessment Program ELA – English Language Arts UC – University of California								

*CAASPP Distance from Level 3 English Learner Student Group includes four-year Reclassified Fluent English Proficient (RFEP) students.

We offer the following commendations and inquiry questions to consider for the implementation of the 2017-18 Local Control and Accountability Plan and the refinement of the plan in the years 2018-19 and 2019-20.

Standards Met or Exceeded in ELA and Mathematics

The district is commended for the focus on college and career readiness and for setting the high goal of 100 percent graduation, attendance, and achievement rates. It is clear that the actions taken are well aligned to the LCAP goals. Notable actions are being implemented to close the achievement gap with English Learners. Additional dialogue related to the questions below may support the achievement of the expected annual measurable outcomes and goals aligned to student achievement in ELA and mathematics:

- Given the current levels of student achievement, how might you accelerate the academic growth of all student groups, especially English Learners?
- How might you ensure that all teachers and staff are committed to the ownership and implementation of the LCAP plan?

Course Access and Student Enrollment in Rigorous Coursework and CTE Pathways

The district is to be commended because outreach efforts through the Credit Recovery program have increased graduation opportunities for students in alternative programs. In addition, the creation of an Alternative Education Governance Panel facilitated a seamless transition between alternative education and traditional high school. The district provides a variety of courses through their CTE pathways. Additional dialogue related to the questions below may support the achievement of the expected annual measurable outcomes and goals aligned to course access and student enrollment in rigorous coursework and CTE pathways:

- How might you increase student access to Advanced Placement courses?
- Given incremental decreases in college and career metrics, what would it look like using differentiated approaches to accelerate increases across all student groups?

Pupil Engagement and School Climate

The district is commended for its use of research-based and innovative programs, such as Positive Behavioral Interventions & Supports (PBIS), BARR (Building Assets, Reducing Risks), Advancement Via Individual Determination (AVID), Digi-Coach, National Institute for School Leadership (NISL), and Peer Leaders Uniting Students (PLUS) to support both students and staff in achieving LCAP initiatives and programs. In addition, the district is periodically reviewing survey and usage data on several of these programs to determine effectiveness. Additional dialogue related to the question below may support the achievement of the expected annual measurable outcomes and goals aligned to pupil engagement and school climate:

- How might you solicit feedback from students on the impact of programs such as PLUS, BARR, etc., on their school/classroom experience?

Monitoring Progress

It is recommended that the district utilize a process that continually assesses the progress of each planned action and its effectiveness in achieving the expected annual measurable outcomes related to each goal specified in the Local Control and Accountability Plan (LCAP). Identifying leading indicators for progress on goals and developing a system to monitor those indicators throughout the year is encouraged. The information received from progress monitoring can support communication with stakeholders and provide information the district will need to clearly articulate, in the *Annual Update* section of the plan, the effectiveness of the planned actions/services.

To access resources and tools that will support future LCAP development, please go to <http://www.rcoe.us/educational-services/assessment-accountability-continuous-improvement/lcap-support/>.

Fiscal Recommendations

Supplemental and Concentration grant funding is included in the Local Control Funding Formula to increase and/or improve services to targeted student populations. If supplemental and concentration grant funds have been underinvested each fiscal year, it may be difficult for the district to demonstrate compliance with the LCFF spending regulations at full implementation.

During our review of the district's LCAP, we noted the following:

- Total General Fund Budget Expenditures for the LCAP year listed in the *LCAP Budget Summary* did not correspond to the district's Adopted Budget. We recommended that the total be updated to the General Fund Budget Expenditures listed within the district's Adopted Budget. The district implemented our recommendation.
- Total Funds Budgeted for Planned Actions/Services to Meet the Goals in the LCAP year listed in the *LCAP Budget Summary* did not total all expenditures listed in the LCAP. We recommended that the total be updated to correspond to all dollars listed in the LCAP year. The district implemented our recommendation.
- Certain estimated actual expenditures identified in the *Annual Update* did not have a corresponding dollar amount or source. We recommended that all estimated actual expenditures include dollar amount, even if zero, and a source. The district implemented our recommendation.

Adopted Budget

In accordance with California Education Code (EC) Section 42127, our office has completed its review of the district's 2017-18 Adopted Budget to determine whether it complies with the criteria and standards adopted by the (SBE) and whether it allows the district to meet its financial obligations for the 2017-18 fiscal year, as well as satisfy its multi-year financial commitments.

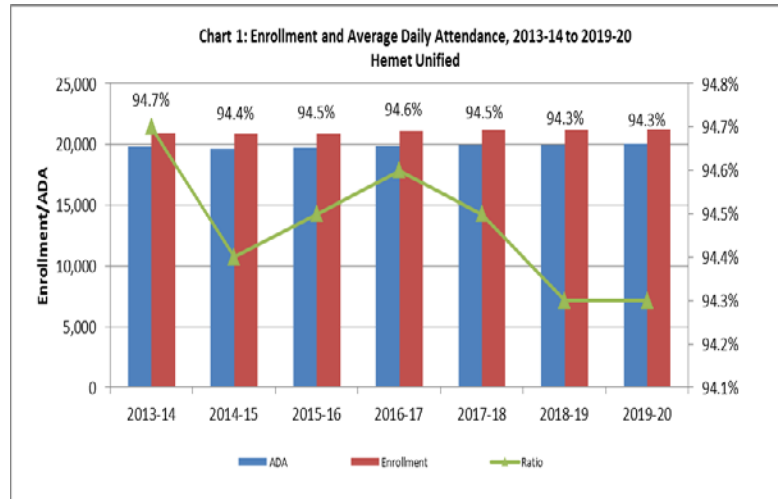
Based on our analysis of the information submitted, we approve the district's budget, but note the following concerns:

- *Operating Deficit* – Multi-year financial projections indicate a substantial General Fund operating deficit for the current and two subsequent fiscal years.
- *Cash* – Absent temporary borrowing, the district's General Fund cash balance is not sufficient to cover cash flow needs throughout the 2017-18 fiscal year.

Assumptions and Other Considerations

The district's Adopted Budget was developed prior to adoption of the 2017-18 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.

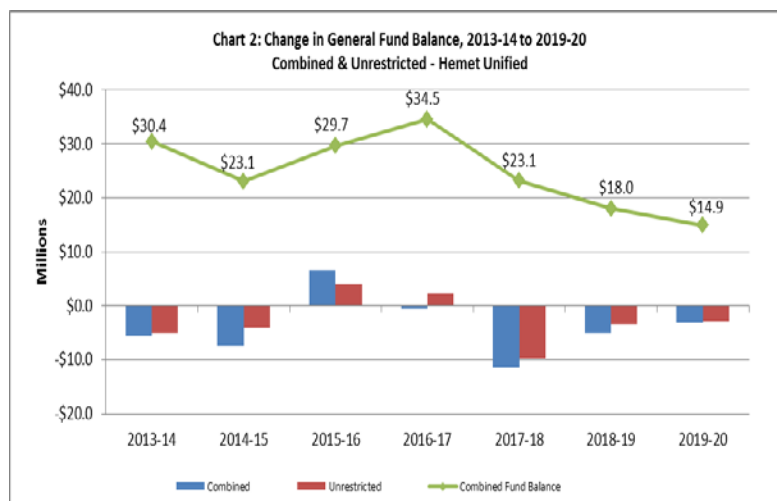
Enrollment and Average Daily Attendance (ADA) – The district's projected ADA to enrollment ratio (capture rate) for 2017-18 is 94.5 percent, which is within the historical average ratio for the three prior fiscal years. The district estimates 20,014 ADA for the current fiscal year, or a 0.4 percent increase from the 2016-17 P-2 ADA. For 2018-19 and 2019-20, the district projects a 0.1 percent decrease and 0.2 percent increase in ADA each year, respectively.



Unduplicated Pupil Percentage – The district reports an unduplicated pupil percentage of 81.83 percent for 2017-18, 81.69 percent for 2018-19, and 81.74 percent for 2019-20. The district’s unduplicated pupil percentage included in the 2016-17 P-2 certification by the California Department of Education was 81.79 percent.

LCFF Gap Funding – For purposes of determining the potential gap funding increase, the district has estimated 43.97 percent for the 2017-18 fiscal year, 39.03 percent for 2018-19, and 41.51 percent for 2019-20. The district is utilizing lower projected LCFF gap percentages as their contingency plan should gap funding increases not materialize.

Fund Balance – The district’s Adopted Budget indicates a positive ending balance for all funds in the 2017-18 fiscal year. However, for the General Fund, the district anticipates expenditures and uses will exceed revenues and sources by \$11.4 million in 2017-18, \$5.1 million in 2018-19, and \$3.1 million in 2019-20. Chart 2 shows the district’s deficit spending historical trends and projections.

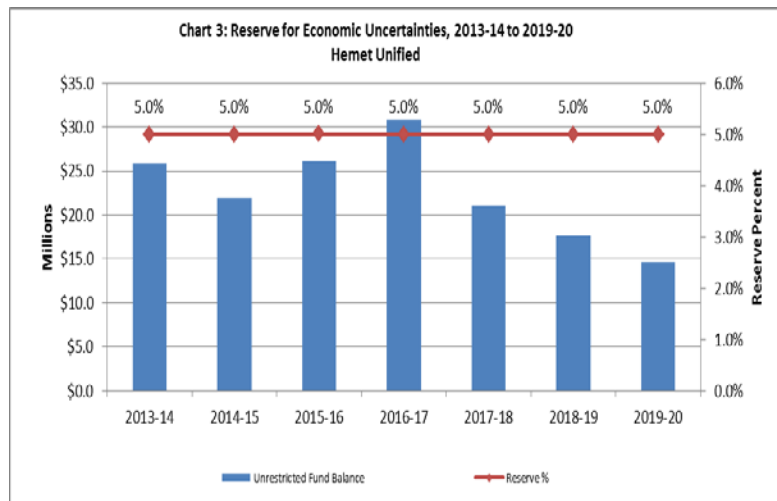


Employee Negotiations – As of the board date, June 20, 2017, the district reports salary and benefit negotiations are complete with the certificated bargaining unit for the 2017-18 fiscal year. The

agreement provided for a 1.5 percent increase to the district’s certificated salary schedule, retroactive to January 1, 2017. Additionally, the agreement provided for a 0.5 percent increase to the certificated salary schedule effective July 1, 2017, and a 1.5 percent increase to the certificated salary schedule effective January 1, 2018. The agreement provided for an annual stipend of \$750 to school psychologists who are nationally board certified, and an annual stipend of \$3,000 to agricultural service providers, both retroactive to July 1, 2016. The agreement also provided for a \$1,000 health and welfare benefit credit increase (from \$3,500 to \$4,500) for retiree benefits effective July 1, 2017.

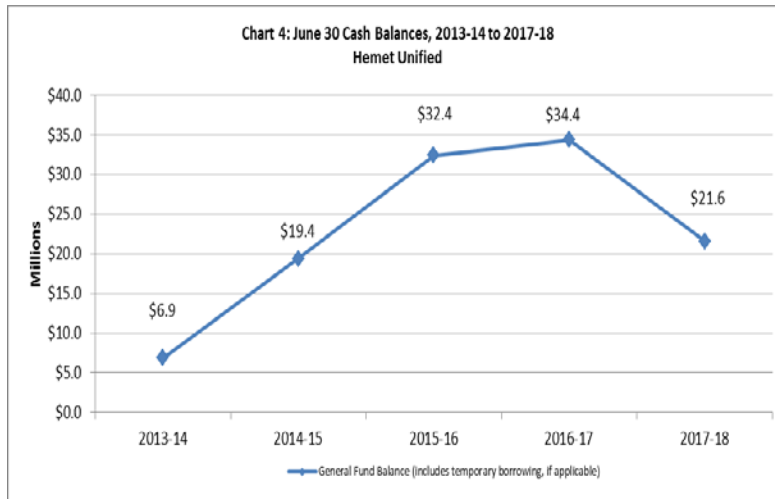
As of the board date, June 20, 2017, the district reports salary and benefit negotiations continue with the classified bargaining unit for the 2016-17 and 2017-18 fiscal years. Prior to entering into a written agreement, California Government Code (GC) Section 3547.5 requires a public school employer 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.

Reserve for Economic Uncertainties – The minimum state-required reserve for a district of Hemet Unified School District’s size is 3.0 percent; however the governing board requires the district maintain a 5.0 percent reserve for economic uncertainties. In light of the current fiscal environment, our office recommends districts maintain reserves higher than the minimum and commends the district’s board for this fiscally prudent practice. 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, and board required, reserve in the current and two subsequent fiscal years.



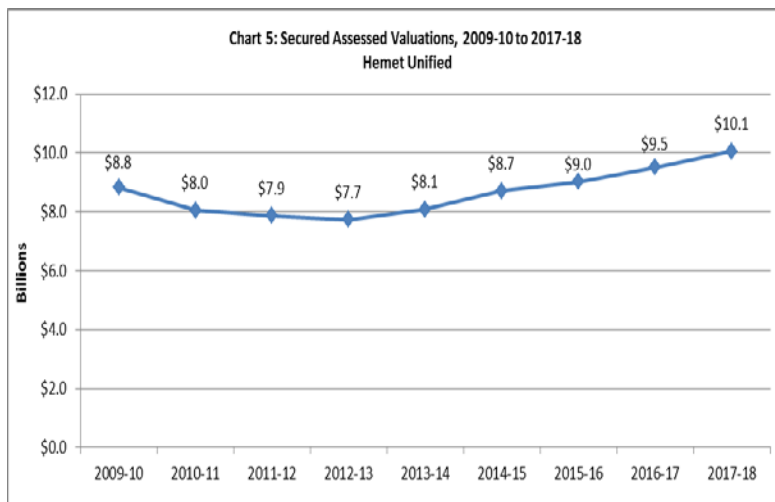
Cash Management – The district currently has an \$8.0 million 2017-18 tax and revenue anticipation note (TRAN) with repayments scheduled for January 2018 and April 2018. Chart 4 provides a historical summary of the district’s June 30th General Fund cash balance. Based on the budget’s cash flow analysis, the district projects a positive General Fund cash balance of \$21.6 million as of June 30, 2018. 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.



AB 2756 – Current law, as enacted through AB 2756 (Chapter 52, Statutes of 2004), 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.

Assessed Valuations – The Riverside County Assessor’s Office has estimated secured assessed valuations will increase by 5.53 percent countywide in 2017-18. Chart 5 displays a historical summary of the district’s secured property tax assessed valuations.



Conclusion

As the State rapidly approaches full implementation of the LCFF, it is vital that districts exercise sound fiscal judgement and remain cognizant of the rapidly changing environment in which we currently operate. Districts should maintain cautious regard when planning future programs and preparing multi-year financial projections. Our office is committed to supporting districts in maintaining quality educational programs, while preserving fiscal solvency. If we can be of any further assistance, please do not hesitate to contact our office.