



**Riverside County
Board of Education**

Jeanie B. Corral

Ray "Coach" Curtis

Bruce N. Dennis

Barbara Hale

Susan J. Rainey, Ed.D.

Elizabeth F. Romero

Wendel W. Tucker, Ph.D.

DATE: September 14, 2017

TO: Dr. Douglas Kimberly, District Superintendent
Mr. Juan I. Saucedo, Board President
Ms. Arleen Sanchez, Chief Business Official
Dr. Alain Guevara, Assistant Superintendent
Dr. Kip Meyer, Assistant Superintendent
Lake Elsinore Unified School District

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

BY: Teresa Hyden  Chief Business Official (951) 826-6790
Cynthia Glover Woods  Chief Academic Officer (951) 826-6648

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.

Lake Elsinore Unified School District								
Metric	Year	State Average	White	African American	Hispanic	English Learner (EL)*	Low Income (LI)	Students w/ Disabilities (SWD)
% of Enrollment	2017		28.3	3.7	59.2	16.2	65.9	11.8
% UC A-G Enrollment	2017		91.2	89.8	93.8	93.8	93.1	67.6
% UC A-G Completion	2016	45.4	35.3	39.3	30.1	4.8	28.2	0.6
EAP – % ELA College Ready	2016	26	21.1	16.2	12.1	0.0	13.1	2.4
EAP – % Math College Ready	2016	13	9.1	5.3	4.1	1.1	5.0	1.1
CAASPP – Grade 3 ELA % Met/Exceeded	2016	43	48	27	24	13	24	12
CAASPP – ELA % Met/Exceeded	2016	49	50.9	38.2	33.8	10.3	32.9	9.0
CAASPP – Math % Met/Exceeded	2016	37	36.1	21.3	20.9	8.0	21.0	6.8
CAASPP Distance from Level 3 – ELA	2016							
CAASPP Distance from Level 3 – Math	2016							
% Suspension	2016	N/A	4.4	8.2	3.6	2.7	4.7	7.9
% Chronic Absenteeism		N/A						
% EL Progress to English Proficiency	2016					27.7		
% Completing One or More CTE Pathways	2015		19.2	10.4	12.0	12.5	0.0	0.0
Graduation Rate	2016	83.2	93.9	90.0	90.3	78.5	89.7	83.7
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 to be commended for an overall district increase in students meeting and exceeding standards in English language arts and mathematics. 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:

- What might it look like to implement and monitor different instructional strategies targeted specifically at student groups to close the achievement gap?
- How might the district and sites regularly monitor the implementation and effectiveness of math instruction for the student groups consistently demonstrating the highest needs?

Course Access and Student Enrollment in Rigorous Coursework and CTE Pathways

The district is to be commended for the support of CTE Pathway development and the inclusion of student and parent participation. 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 incorporating additional A-G approved CTE classes in the CTE Pathways impact college and career readiness metrics?
- How might additional professional learning opportunities for certificated staff impact A-G, Advanced Placement, and CTE course completion?

Pupil Engagement and School Climate

The district is to be commended for expanding the implementation of its Advancement Via Individual Determination (AVID) and No Excuses University programs. 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:

- Considering the identified needs in the areas of suspension and chronic absenteeism, what might it look like to implement additional actions that are specifically targeted at the highest need student groups?

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.

The district adopted its LCAP on June 22, 2017. Subsequent to the adoption of the LCAP, the district, with the assistance from the County Superintendent of Schools, identified that numerous significant changes to the plan were required in order to adhere to the template adopted by the State Board of Education. The district made all necessary revisions and readopted the LCAP on August 24, 2017. No further concerns were noted in the Fiscal review of the readopted LCAP.

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:

- *Fiscal Stabilization Plan* – As a result of the district's 2014-15 audit, which identified financial concerns, the district created and began executing a fiscal stabilization plan. As of the board date June 22, 2017, the district's fiscal stabilization plan included the following priorities:
 - Establish a 3.0 percent cash balance on hand every month during each fiscal year.
 - Eliminate deficit spending for each fiscal year.
 - Maintain a state-required 3.0 percent unrestricted reserve level for all financial reports.
 - Self-certify an exit from the plan in June 2018.
- *Flat Enrollment* – The district's projections indicate flat enrollment for one subsequent fiscal year.
- *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.
- *Negative Ending Fund Balance* – The district is projecting a negative ending net position of \$413,958 in the Self-Insurance Fund. The negative net position is the result of the recognition of the fund's claims liability.

Subsequent Event

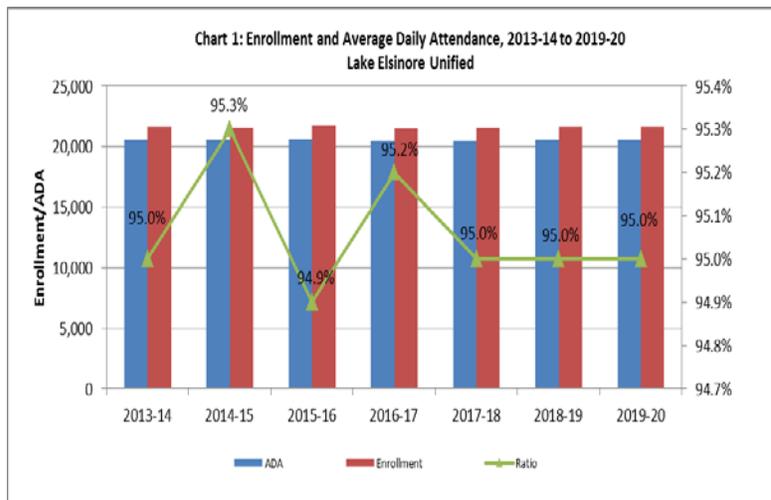
On August 3, 2017, the district settled with both the certificated and classified bargaining units. These settlements resulted in additional expenditures of \$10.5 million in the current fiscal year. As a result of these agreements, the district's updated multi-year projections indicate deficit spending in the current and two subsequent fiscal years. **Please submit an updated Fiscal Stabilization Plan with the 2017-18 First Interim Report.**

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 95.0 percent, which is within the historical average ratio for the three

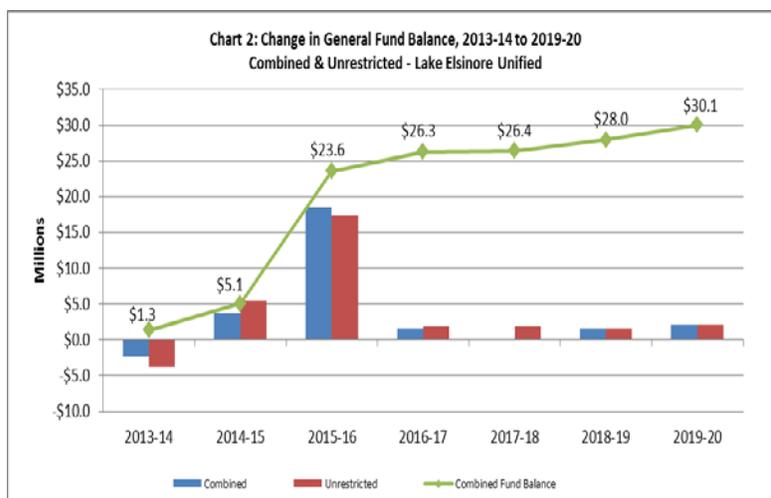
prior fiscal years. The district estimates 20,496 ADA for the current fiscal year, or a 0.2 percent increase from the 2016-17 P-2 ADA. For 2018-19 and 2019-20, the district projects a 0.3 percent ADA increase and no change, respectively.



Unduplicated Pupil Percentage – The district reports an unduplicated pupil percentage of 65.73 percent for 2017-18, 66.34 percent for 2018-19, and 66.20 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 65.78 percent.

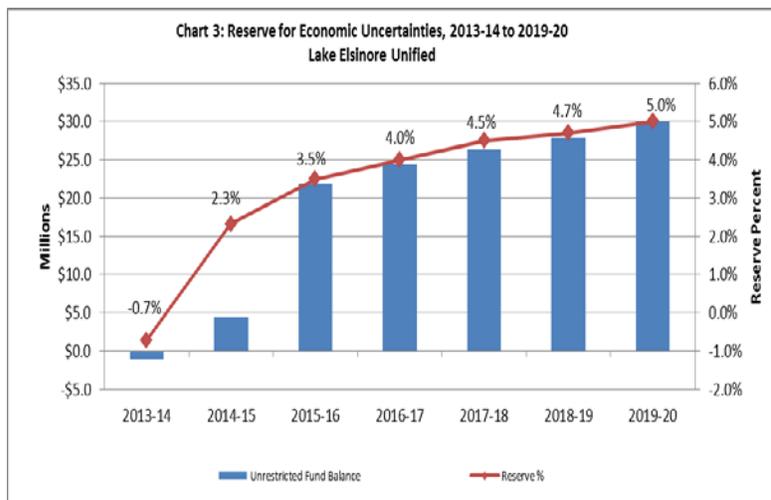
LCFF Gap Funding – For purposes of determining the potential gap funding increase, the district has estimated 43.97 percent for the 2017-18 fiscal year, 71.53 percent for 2018-19, and 73.51 percent for 2019-20. The district has yet to identify a contingency plan should gap funding increases not materialize. Please provide this contingency plan with the submission of the 2017-18 First Interim Report.

Fund Balance – The district’s Adopted Budget indicates a positive ending balance for all funds in the 2017-18 fiscal year. Chart 2 shows the district’s deficit spending historical trends and projections.

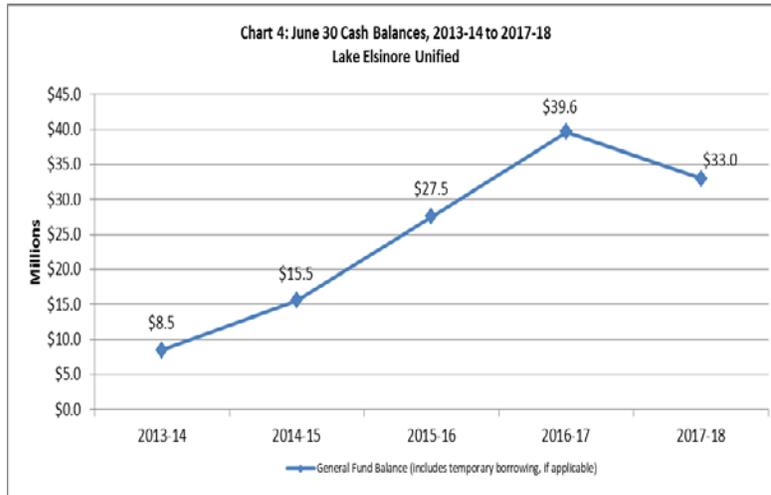


Employee Negotiations – On August 3, 2017, subsequent to the adoption of the district’s budget, the district settled with both units for the 2017-18 fiscal year. The certificated agreement provided for a 3.0 percent increase to the salary schedule effective July 1, 2017, and an off schedule, one-time 3.0 percent payment retroactive to July 1, 2016. Additionally, the agreement provided for a \$706 health and welfare cap increase (from \$11,294 to \$12,000). The classified agreement provided for a 3.0 percent increase to the salary schedule effective July 1, 2017, and an off schedule, one-time 3.0 percent payment retroactive to July 1, 2016. Additionally, the agreement provided for a \$595 health and welfare cap increase (from \$11,205 to \$11,800).

Reserve for Economic Uncertainties – The minimum state-required reserve for a district of Lake Elsinore 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.

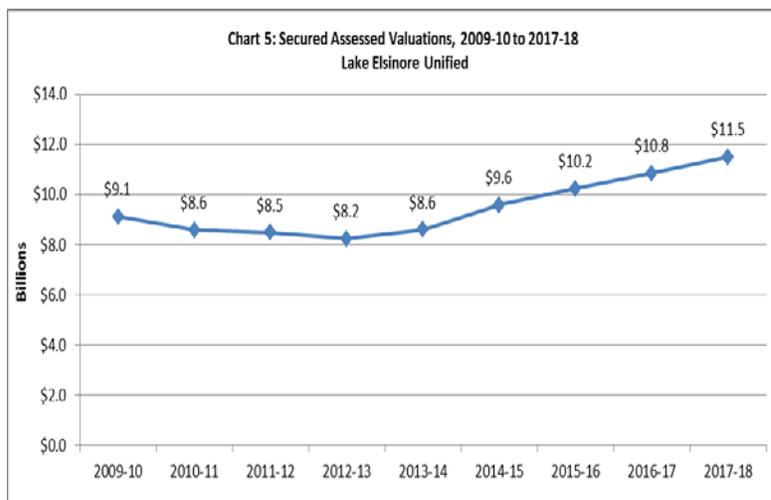


Cash Management – The district currently has a \$12.3 million 2017-18 tax and revenue anticipation note (TRAN) with repayments scheduled for January 2018 and April 2018. Chart 4 provides a historical summary of the district’s June 30th General Fund cash balance. Based on the budget’s cash flow analysis, the district projects a positive General Fund cash balance of \$33.0 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)* 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.