



**Riverside County
Board of Education**

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DATE: October 9, 2017

TO: Mr. Tim Ritter, District Superintendent
Mrs. Sandy Hinkson, Board President
Ms. Lori Ordway-Peck, Assistant Superintendent
Ms. Jodi McClay, Assistant Superintendent
Temecula Valley 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 LCAP and REVISED BUDGET – 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.

Metric	Year	State Average	White	African American	Hispanic	English Learner (EL)*	Low Income (LI)	Students w/ Disabilities (SWD)
% of Enrollment	2017		43.3	3.4	33.6	5.7	24.3	12.9
% UC A-G Enrollment	2017		97.7	96.7	96.3	88.0	95.7	89.4
% UC A-G Completion	2016	45.4	72.6	77.7	64.9	20.5	60.1	24.3
EAP – % ELA College Ready	2016	26	45.1	17.0	25.1	0.0	26.2	3.2
EAP – % Math College Ready	2016	13	18.1	7.6	9.1	2.2	9.1	1.4
CAASPP – Grade 3 ELA % Met/Exceeded	2016	43	69	44	44	29	42	22
CAASPP – ELA % Met/Exceeded	2016	49	70.0	48.0	54.9	23.5	49.9	19.2
CAASPP – Math % Met/Exceeded	2016	37	57.1	31.5	38.9	19.4	34.9	15.0
CAASPP Distance from Level 3 – ELA	2016							
CAASPP Distance from Level 3 – Math	2016							
% Suspension	2016	N/A	1.8	4.2	2.3	2.0	2.7	4.5
% Chronic Absenteeism		N/A						
% EL Progress to English Proficiency	2016					35.1		
% Completing One or More CTE Pathways	2015		11.7	14.8	13.5	18.5	0.0	0.0
Graduation Rate	2016	83.2	95.6	93.2	91.9	84.6	89.9	79.9
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.

The district is to be commended for demonstrating evidence of a strong connection between goals, dashboard, data analysis, and actions and services throughout the plan. Additionally, the district should be commended for providing systematic professional learning and support focused on improving student academic and behavioral outcomes and utilizing a Multi-Tiered System of Support (MTSS) Framework to ensure a comprehensive system for the success of all students. Finally, we commend the district for the strategic use of funding decisions to meet the needs of all students.

As the district continues to refine the MTSS system to support students in academic achievement, course access, and pupil engagement, please consider the following questions:

- How might the district further refine the MTSS system to accelerate growth for Students with Disabilities and English Learners in the areas of mathematics and English language arts?
- How might the district engage Foster Youth students and community resources to decrease the Foster Youth dropout rate?

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 Budgeted Expenditures listed within the district's Adopted Budget. The district implemented our recommendation.
- Certain Estimated Actual Expenditures identified in the *Annual Update* did not have a source listed. We recommended that all Estimated Actual Expenditures list a funding source. The district implemented our recommendation.

Adopted Budget

On September 1, 2017, our office conditionally approved the district's 2017-18 Adopted Budget, and

required the district close the prior fiscal year, certify 2016-17 Unaudited Actuals, and submit the following to our office by September 30, 2017:

- *2017-18 Revised Budget & Multi-Year Financial Projections* – Revise and provide our office with a budget, multi-year financial projections, and an updated LCFF calculator to account for changes resulting from the district’s 2016-17 Unaudited Actuals, the enacted 2017-18 Budget Act, and updated ADA and enrollment estimates.
- *Cash Flow* – Provide our office with updated 2017-18 General Fund cash flow projections with actuals through August 31, 2017.

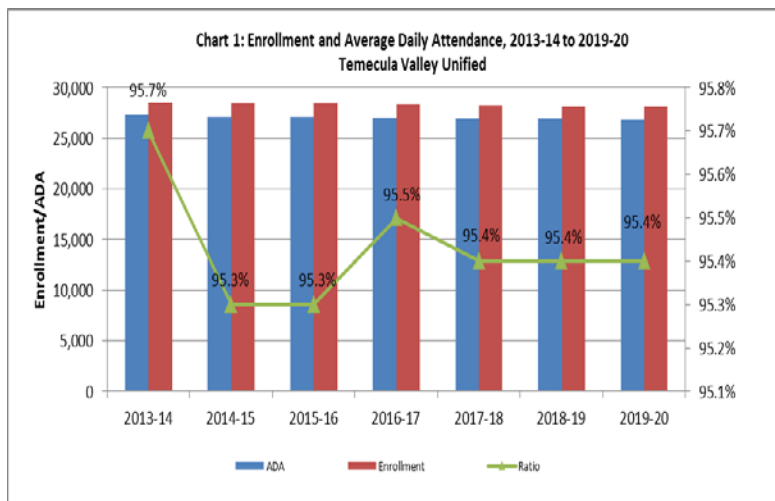
The following pages provide further details on the district’s 2017-18 Revised Budget.

After an analysis of the information submitted, the County Superintendent approves the district’s Revised Budget, but notes the following remaining concerns:

- *2019-20 Budget Shortfall* – Assuming no mitigating measures, the district projects a \$6.0 million budget shortfall which reduces the reserve for economic uncertainties to 1.02 percent in 2019-20.
- *Operating Deficit* – Multi-year financial projections indicate a substantial 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.
- *Cash* – Absent temporary borrowing, the district’s General Fund cash balance is not sufficient to cover cashflow needs throughout the 2017-18 fiscal year.

Assumptions and Other Considerations

Enrollment and Average Daily Attendance (ADA) – The district’s projected ADA to enrollment ratio (capture rate) for 2017-18 is 95.40 percent, which is within the historical average ratio for the three prior fiscal years. The district estimates 26,955 ADA for the current fiscal year, or a 0.4 percent decrease from the 2016-17 P-2 ADA. For 2018-19 and 2019-20, the district projects a 0.2 percent decrease in each year.

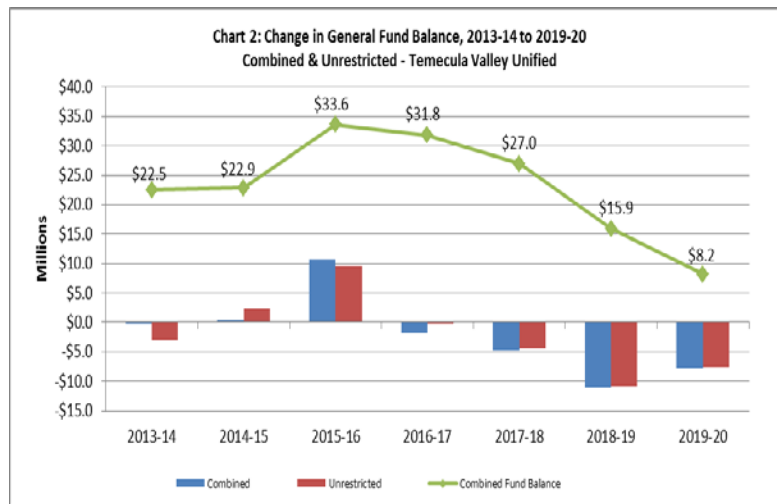


Unduplicated Pupil Percentage – The district reports an unduplicated pupil percentage of 26.16 percent for 2017-18, 26.10 percent for 2018-19, and 26.10 percent for 2019-20. The district’s

unduplicated pupil percentage included in the 2016-17 P2 certification by the California Department of Education was 25.39 percent.

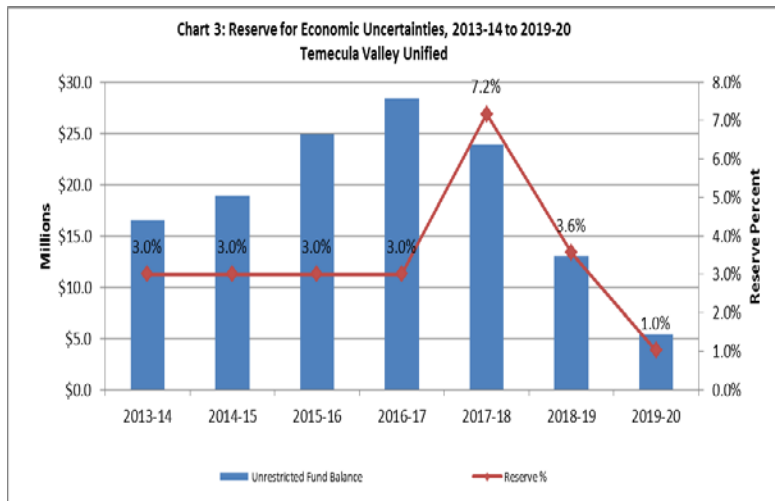
LCFF Gap Funding – For purposes of determining the potential gap funding increase, the district has estimated 43.97 percent for the 2017-18 fiscal year, 71.53 percent for 2018-19, and 73.51 percent for 2019-20. The district has yet to identify a contingency plan should gap funding increases not materialize. 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. However, for the General Fund, the district anticipates expenditures and uses will exceed revenues and sources by \$4.8 million in 2017-18, \$11.1 million in 2018-19, and \$7.7 million in 2019-20. Chart 2 shows the district’s deficit spending historical trends and projections.

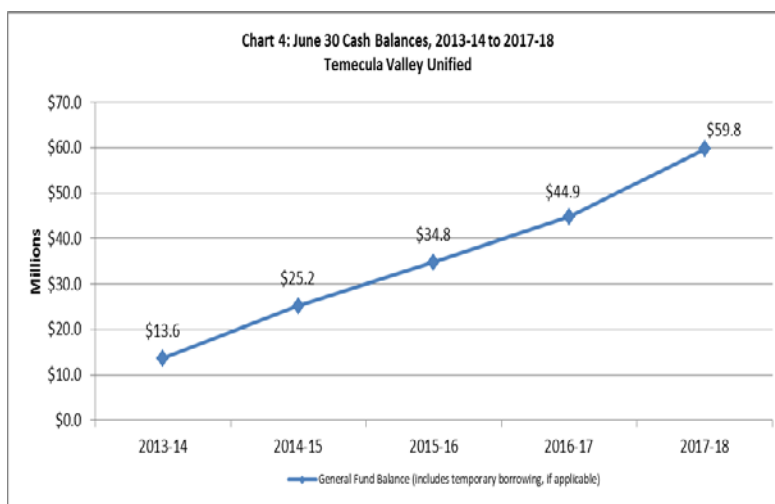


Employee Negotiations – As of the board date, October 3, 2017, the district reports salary and benefit negotiations continue with both the certificated and classified bargaining units for the 2017-18 fiscal year. Prior to entering into a written agreement, California Government Code (GC) Section 3547.5 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.

Reserve for Economic Uncertainties – The minimum state-required reserve for a district of Temecula Valley 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 first subsequent fiscal year. However, projections indicate the district will not meet the state required reserve in 2019-20.

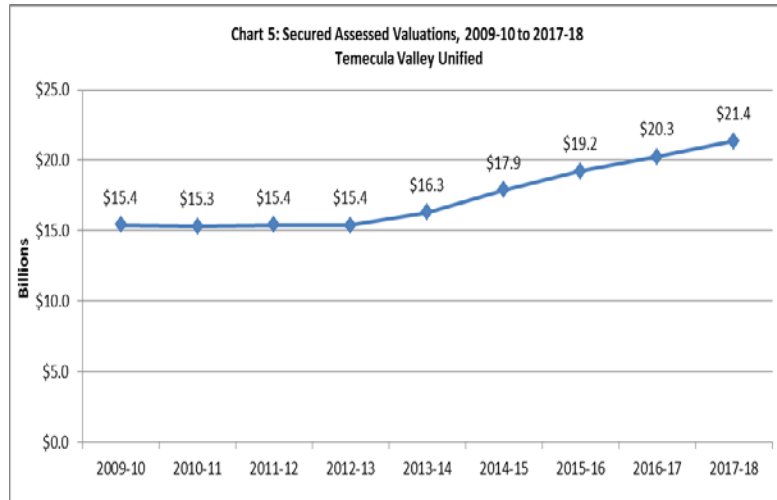


Cash Management – The district currently has a \$16.0 million 2017-18 tax and revenue anticipation note (TRAN) with repayments scheduled for January 2018 and April 2018. Chart 4 provides a historical summary of the district’s June 30th General Fund cash balance. Based on the budget’s cash flow analysis, the district projects a positive General Fund cash balance of \$59.8 million as of June 30, 2018. This balance does not include any temporary borrowings, however, the district’s internal cash resources are not sufficient to address cash flow needs throughout 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.



Next Steps

In November, our office will provide the district with detailed guidance regarding the preparation of the 2017-18 First Interim Financial Report. In addition to the requirements noted in that guidance letter, please provide our office with the following **by December 15, 2017**:

- *Fiscal Stabilization Plan* – Provide our office with a detailed plan on how the district plans to address the \$6.0 million budget shortfall in 2019-20. This plan, at a minimum, should include a review of all expenditures, in particular certificated and classified salaries, employee benefit costs, staffing ratios, and review and analyze in detail the special education program and the increasing encroachment on the district’s unrestricted general fund. **Our office recommends that the board issue, at a minimum, a qualified certification for the First Interim Financial Report if the district is unable to meet the state required minimum three percent reserve in the current or subsequent fiscal years.**
- *Multi-Year Financial Projections* – Submit revised board approved multi-year financial projections, reflecting up-to-date ADA and enrollment estimates, and accurate revenue and expenditure projections that include only final, board-approved, budget solutions. Include a contingency plan in the multi-year financial projections should gap funding not materialize as planned for the two subsequent fiscal years. In addition, please include detailed multi-year assumptions, showing the budget adjustments from one year to the next.

Our office acknowledges the difficult financial decisions the district is facing in the near future, and looks forward to continue working closely and collaboratively with the district to strengthen its financial position. If we can be of further assistance, please do not hesitate to contact me or the District Fiscal Services staff with any questions or concerns at (951) 826-6429.