



**Riverside County
Board of Education**

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DATE: October 8, 2018

TO: Dr. Edwin Gomez, District Superintendent
Ms. Blanca Hall, Board President
Mr. Erik Lee, Assistant Superintendent of Business Services
Dr. Josie Paredes, Assistant Superintendent of Educational Services
Coachella 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: **2018-19 REVISED 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 2018-19 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 2018-19 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 2018-19 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 LEAs closely monitor the metrics listed in the data table below for all student groups.

Coachella Valley Unified School District									
Metric	Year	State Average	District Average	White	African American	Hispanic	English Learner (EL)*	Low Income (LI)	Students w/ Disabilities (SWD)
% of Enrollment	2018			0.8	0.2	97.6	46.3	91.3	10.3
% UC A-G Completion	2017	46.8	34.7	44.4		34.7	4.3	34.2	
EAP – % ELA College Ready	2017	27.7	10.9			10.6	0.5	10.3	0.0
EAP – % Math College Ready	2017	12.9	2.0			1.8	0.5	1.9	0.0
CAASPP – Grade 3 ELA % Met/Exceeded	2017	43.9	24.1			24.1	10.8	23.2	4.2
CAASPP – ELA % Met/Exceeded	2017	48.6	24.9	34.9	20.0	24.8	6.4	23.9	2.8
CAASPP – Math % Met/Exceeded	2017	37.6	16.6	21.7	6.7	16.6	7.8	15.9	2.7
CAASPP Distance from Level 3 – ELA	2017								
CAASPP Distance from Level 3 – Math	2017								
% Suspension ♦	2017	3.6	5.4	4.7	5.0	5.3	4.3	5.6	9.5
% Chronic Absenteeism ♦	2017	10.8	15.8	21.1	27.5	15.6	13.1	15.9	21.2
% EL Progress to English Proficiency**	2017						60.0		
Graduation Rate	2017	82.7	82.9	75.0		83.3	72.1	82.5	69.5
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. ♦ Suspension / Chronic Absenteeism - District data excludes charter schools. Statewide data includes both charters and non-charters. **% EL Progress to English Proficiency is calculated by taking the number of ELs meeting their annual growth target and dividing by the number of ELs with the required prior CELDT scores. This data represents the final year of CELDT assessment results.									

We offer the following commendations and inquiry questions to consider for the implementation of the 2018-19 Local Control and Accountability Plan and the refinement of the plan in the years 2019-20 and 2020-21:

Standards Met or Exceeded in English Language Arts and Mathematics

The district is to be commended for exceeding the English Learner reclassification goal by reaching 16.5 percent. Coachella Valley Unified School District (CVUSD) is commended for their continued support of the Dual Language program in which the students' CAASPP math scores were 11 percent higher than non-dual language students. Additionally, the district is to be commended for continuing to support additional instructional and collaboration time for students and teachers.

Additional dialogue related to the questions below may support the achievement of the expected annual measurable outcomes and goals aligned to student achievement in English language arts and mathematics:

- Which research-based instructional practices implemented are generating the greatest increases in academic achievement?
- What accountability measures might the district put in place at the school site level to ensure the implementation of supplemental programs and services written in the LCAP?
- How might the district and site leaders use the information gained from the monthly classroom walkthroughs to increase student performance?
- How might teachers, classified staff, and administrators use student performance data to guide their selection of need-based professional development offerings?
- How might the quarterly course failure reports data be used by teachers and instructional coaches to improve student performance?
- How does the district professional learning support target specific needs for staff?

Course Access and Student Enrollment in Rigorous Coursework and CTE Pathways

The district is to be commended for providing full funding to all students for Advanced Placement examinations. CVUSD is commended for offering extensive summer school credit recovery courses to credit deficient students to assist them in getting back on track for graduation. The district is commended for providing robust counseling services in support of both academic and social/emotional needs. The district is also to be commended for the work in updating 34 CTE courses in support of student completion of 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:

- What actions might the district take to decrease the number of students needing credit recovery?
- How might the fiscal resources currently supporting credit recovery be redirected to prevent the initial course failure?
- What systems might the district consider developing to best coordinate the robust counseling services offered to students and Multi-Tiered System of Supports (MTSS) program goals?

Pupil Engagement and School Climate

The district is to be commended for the significant increases in the English Learner student group graduation rate from the prior years. The district is commended for providing additional support to address chronic absenteeism. The district is also to be commended for continued support for

Parent Centers at each school site and providing multiple opportunities for students to participate in extracurricular events.

Additional dialogue related to the questions below may support the achievement of the expected annual measurable outcomes and goals aligned to pupil engagement and school climate:

- How might the district monitor the implementation and success of the Learning Communities for School Success Program (LCSSP)?
- How might the district expand the positive impact of Advancement Via Individual Determination (AVID) strategies to improve academic achievement for all students?

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

During our review we identified opportunities to improve data accuracy between the district's LCAP and fiscal documents. The following technical corrections were incorporated into the district's LCAP:

- In the *Goals, Actions, and Services* section, the district added a Budget Reference for certain goals, actions, and services.

Adopted Budget

On August 29, 2018, our office conditionally approved the district's 2018-19 Adopted Budget, and required the district close the prior fiscal year, certify 2017-18 Unaudited Actuals, and submit the following to our office by September 24, 2018:

- *2018-19 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 2017-18 Unaudited Actuals, the enacted 2018-19 Budget Act, and up-to-date ADA and enrollment estimates.
- *Cash Flow* – Provide our office with updated 2018-19 General Fund cash flow projections with actuals through August 31, 2018.

The following pages provide further details on the district's 2018-19 Revised Budget.

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

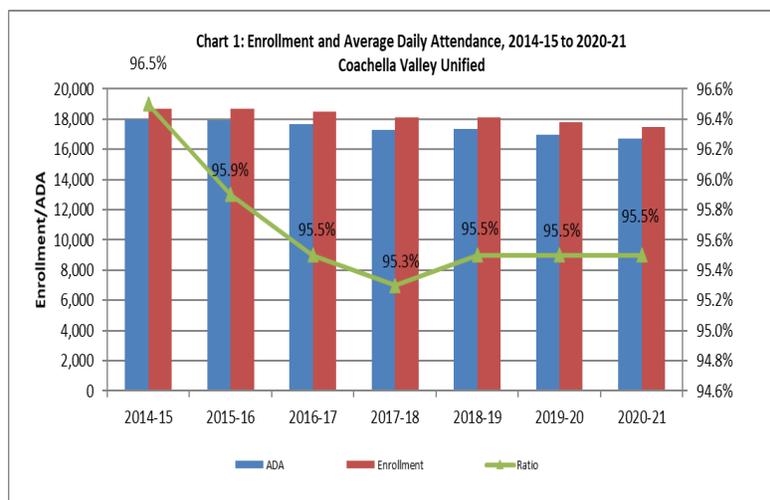
- *Budget Shortfalls* – Assuming no mitigating measures, the district projects a \$2.9 million budget shortfall in 2019-20 and a \$9.3 million budget shortfall in 2020-21. These budget

shortfalls result in an unrestricted ending fund balance of **negative \$1.3 million** in 2020-21. If budget solutions are not implemented, the district will become fiscally insolvent.

- *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 two subsequent years.
- *Cash* – Based on the district’s projections, the June 2019 ending cash balance will not be sufficient to cover July 2019 expenditures.
- *Reserve Requirement* – The district’s certified 2017-18 unaudited actuals indicate that the district ended the year with a 2.95 percent reserve for economic uncertainties. The district is \$134,700 under the minimum required reserve.

Assumptions and Other Considerations

Enrollment and Average Daily Attendance (ADA) – The district’s projected ADA to enrollment ratio (capture rate) for 2018-19 is 95.5 percent, which is within the historical average ratio for the three prior fiscal years. The district estimates 17,322 ADA for the current fiscal year, which is no change from the 2017-18 P-2 ADA. The district projects a 1.9 percent decrease in ADA in 2019-20 and a 1.8 decrease in ADA in 2020-21.

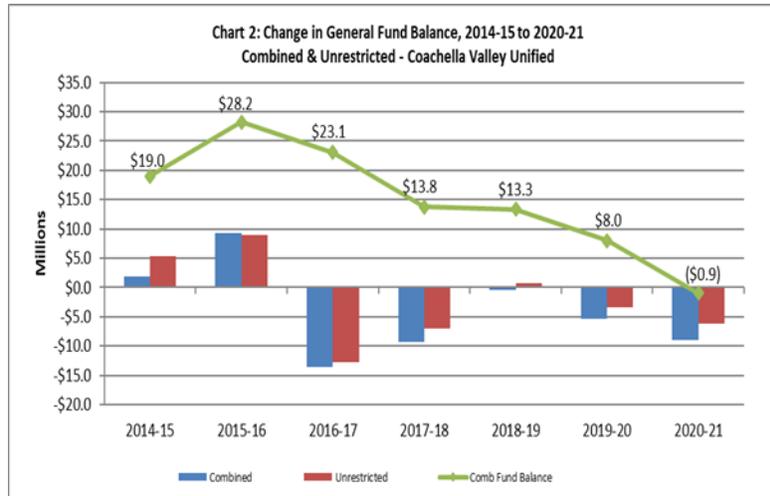


Unduplicated Pupil Percentage – The district reports an unduplicated pupil percentage of 92.67 percent for 2018-19, 91.81 percent for 2019-20, and 92.19 percent for 2020-21. The district’s unduplicated pupil percentage included in the 2017-18 P-2 certification by the California Department of Education was 94.14 percent.

Local Control Funding Formula (LCFF) – The district has incorporated target funding as proposed in the Governor’s 2018-19 budget projections. Additionally, the district estimated COLAs of 3.7 percent, 2.57 percent, and 2.67 percent for the 2018-19, 2019-20, and 2020-21 fiscal years, respectively. Our office recommends a contingency plan should LCFF funding not materialize as projected in the Governor’s 2018-19 budget.

Fund Balance – The district’s Adopted Budget indicates a positive ending balance for all funds in the 2018-19 fiscal year. However, for the General Fund, the district anticipates expenditures and uses will exceed revenues and sources by \$0.5 million in 2018-19, \$5.3 million in 2019-20, and \$9.0

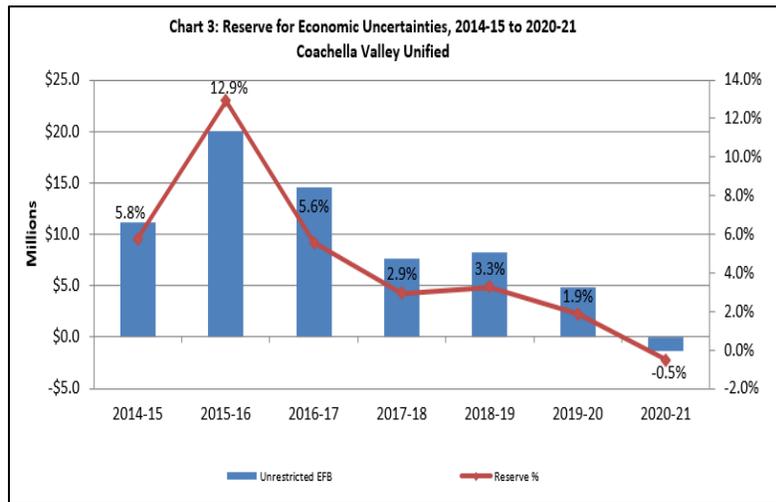
million in 2020-21. Chart 2 shows the district’s deficit spending historical trends and projections. The district cannot sustain deficit spending into future fiscal years.



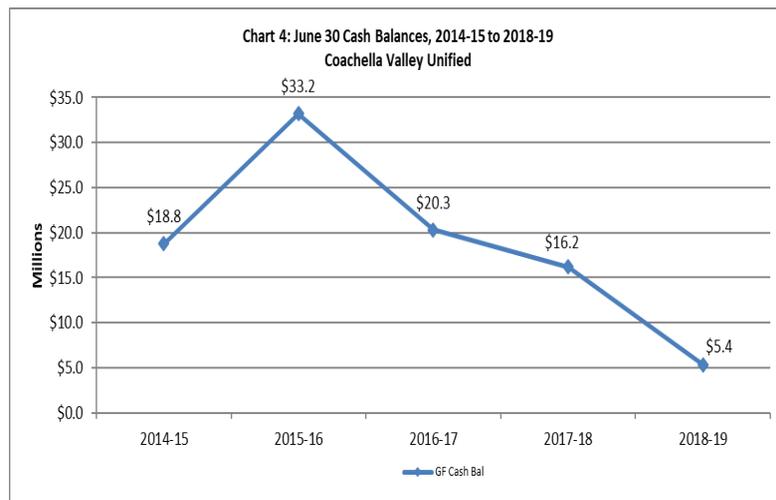
Employee Negotiations – As of the board date, September 6, 2018, the district reports salary and benefit negotiations are complete with the classified bargaining unit for the 2018-19 fiscal year. The agreement provided for an extension of certain paraeducator positions to 6.5 hours per day. The district also agreed to reopen negotiations on 2018-19 salaries no later than October 30, 2018. Additionally, CSEA may request additional negotiations over specific items if any other employee group were to receive a total compensation package that is greater than CSEA’s total compensation package for the 2018-19 fiscal year.

Subsequent to the board date, the district reported salary and benefit negotiations were completed with the certificated bargaining unit for the 2018-19 fiscal year. The agreement provides for a 6.0 percent stipend for the Deaf and Hard of Hearing Service Provider and Orthopedically Impaired Teacher. The work year for the Deaf and Hard of Hearing Service Provider and Orthopedically Impaired Teacher was increased by ten days (from 184 days to 194 days). Additionally, after the first 20 days of the school year, if class sizes exceed the target ratio, additional compensation will be provided to unit members. For elementary classes exceeding the target ratio, the unit member shall be compensated at \$20 per day per student (no more than two students). For secondary classes exceeding the target ratio, the unit member shall be compensated \$4 per student, per period (no more than two students per period). In addition, the agreement provides for an \$882 health and welfare cap increase (from \$20,694 to \$21,576). The cost of the agreement was partially reflected in the district’s revised budget.

Reserve for Economic Uncertainties – The minimum state-required reserve for a district of Coachella 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 fiscal year. However, projections indicate the district will not meet the state required reserve in 2019-20 and 2020-21. **The district’s 2017-18 unaudited actuals indicate that the district failed to meet the minimum reserve requirement. Please provide the audited ending reserve for economic uncertainties amount once the district’s audit of 2017-18 is complete.**

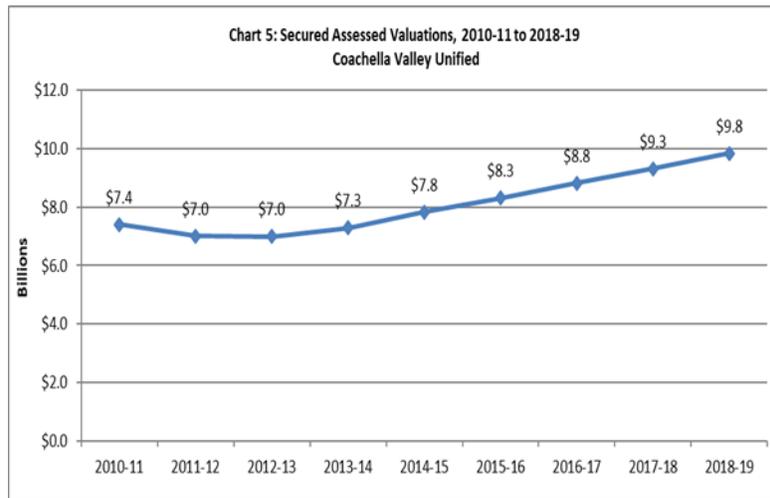


Cash Management – Chart 4 provides a historical summary of the district’s June 30th General Fund cash balance. Based on the budget’s cash flow analysis, the district projects a positive General Fund cash balance of \$5.4 million as of June 30, 2019. This balance does not appear sufficient to cover July 2019 expenditures (estimated at \$9.9 million). 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 6.26 percent countywide in 2019-20. Chart 5 displays a historical summary of the district’s secured property tax assessed valuations.



Extraordinary Audit

In June 2017, the Fiscal Crisis and Management Assistance Team (FCMAT) received a request from our office for an Assembly Bill (AB) 139 extraordinary audit of the Coachella Valley Unified School District to determine if fraud, misappropriation of funds, or other illegal activities may have occurred at the district. Specific audit objectives included evaluating the establishment, implementation, and effectiveness of policies, procedures, and internal control activities through a review of the district's recorded financial transactions in relation to use of credit cards and expenditure of funds for personal or other non-district business purposes. Several findings were noted within the scope of the audit, and the district responded with a corrective action plan. Our office will continue to monitor the implementation of the district's corrective action plan.

Next Steps

In November, our office will provide the district with detailed guidance regarding the preparation of the 2018-19 First Interim Financial Report. In addition to the requirements noted in that guidance letter, please provide our office with the following by December 15, 2018:

- *Fiscal Stabilization Plan* – Provide our office with a detailed plan on how the district plans to address the projected budget shortfalls in 2019-20 and 2020-21 totaling \$2.9 million and \$9.3 million, respectively. This plan, at a minimum, should include a review of all expenditures, in particular certificated and classified salaries, employee benefit costs, staffing ratios, and a detailed review and analysis of 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. In addition, please include detailed multi-year assumptions, showing the budget adjustments from one year to the next.
- *2017-18 Reserve for Economic Uncertainties* – Provide our office with the audited balance of the reserve for economic uncertainties.

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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.