



**Riverside County
Board of Education**

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DATE: September 14, 2018

TO: Mr. Tim Ritter, District Superintendent
Dr. Kristi Rutz-Robbins, Board President
Mrs. 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
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SUBJECT: 2018-19 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 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.

Temecula 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			43.1	3.4	33.5	5.5	29.0	13.5
% UC A-G Completion	2017	46.8	73.1	76.3	54.3	69.7	13.8	64.9	
EAP – % ELA College Ready	2017	27.7	41.8	45.8	22.4	33.0	2.3	33.5	5.0
EAP – % Math College Ready	2017	12.9	15.0	15.4	2.0	11.0	2.2	10.0	0.8
CAASPP – Grade 3 ELA % Met/Exceeded	2017	43.9	64.5	71.9	50.8	54.0	32.1	48.2	27.3
CAASPP – ELA % Met/Exceeded	2017	48.6	64.9	69.7	47.5	55.9	21.1	50.5	22.6
CAASPP – Math % Met/Exceeded	2017	37.6	52.5	57.7	33.4	41.8	17.6	37.8	17.3
CAASPP Distance from Level 3 – ELA	2017								
CAASPP Distance from Level 3 – Math	2017								
% Suspension ♦	2017	3.6	1.9	1.7	4.2	2.2	2.2	3.1	4.9
% Chronic Absenteeism ♦	2017	10.8	11.1	11.0	10.0	12.8	12.4	15.2	17.8
% EL Progress to English Proficiency**	2017						68.0		
Graduation Rate	2017	82.7	92.7	94.0	90.4	90.3	68.0	88.1	75.1
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.

LCAP Plan Development

The district is to be commended for the detailed description of material differences per action that includes noting LCAP carryover and how funds are reallocated to balance expenses as articulated in the Analysis section of the *Annual Update*.

Standards Met or Exceeded in English Language Arts and Mathematics

The district is commended for the strong academic performance in English language arts with eight of ten subgroups meeting the EAP English language arts metric. The district is to be commended for the increases in math academic performance. The district is commended for continuing a powerful focus on teacher professional development to support first best instruction. 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:

- How does the district measure the effectiveness of its professional learning support and its impact on shifts in teacher practices that increase student achievement?
- What types of formative/interim assessments could be used to monitor both individual student and student subgroup growth?

Course Access and Student Enrollment in Rigorous Coursework and CTE Pathways

The district is commended for the ongoing investment and focus on the development of CTE Pathways. The intentional design of CTE courses to meet the rigorous standard of UC/CSU coursework is also commendable. 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 recruitment and course selection processes might be considered to maximize student access and completion of CTE Pathways?

Pupil Engagement and School Climate

The district is commended for its continued implementation and expansion of Positive Behavioral Interventions and Supports (PBIS) strategies. Temecula Valley USD is also commended for its focus on maintaining high and very high graduation rates. The goal of improving the graduation rate for Students with Disabilities was also met this year. 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:

- With the additional resource of social workers being added this year, what data (qualitative/quantitative) might the district collect to monitor the impact of the new position at the high school level?
- What best practices at the school site level should be considered and replicated across the district to identify students needing multi-tiered levels of support?
- What metric might the district consider to analyze the effect of the social/emotional actions/services being delivered to 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 *Annual Update* section, the district added a source to certain Estimated Actual Expenditures.
- In the *Goals, Actions, and Services* section, the district added a Source for certain goals, actions, and services.

Adopted Budget

In accordance with California Education Code (EC) Section 42127, our office has completed its review of the district's 2018-19 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 2018-19 fiscal year, as well as satisfy its multi-year financial commitments.

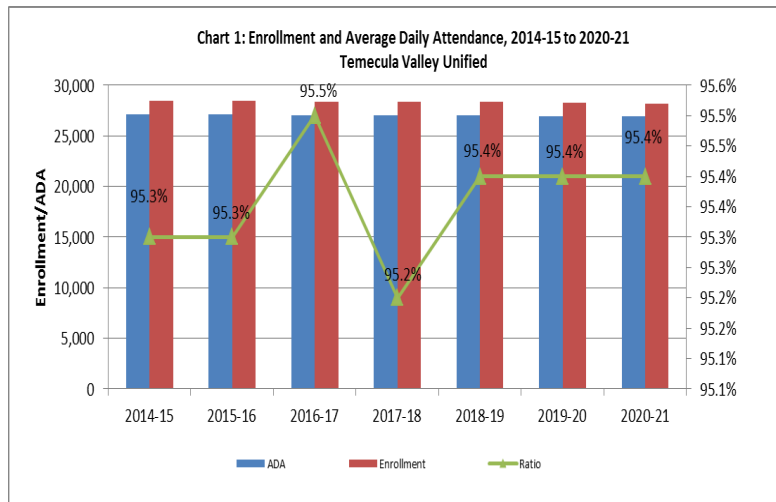
Based on our analysis of the information submitted, we approve the district's budget, but note the following concerns:

- *Operating Deficit* – Multi-year financial projections indicate substantial General Fund operating deficits for the 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 cash flow needs throughout the 2018-19 fiscal year.

Assumptions and Other Considerations

The district's Adopted Budget was developed prior to adoption of the 2018-19 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.

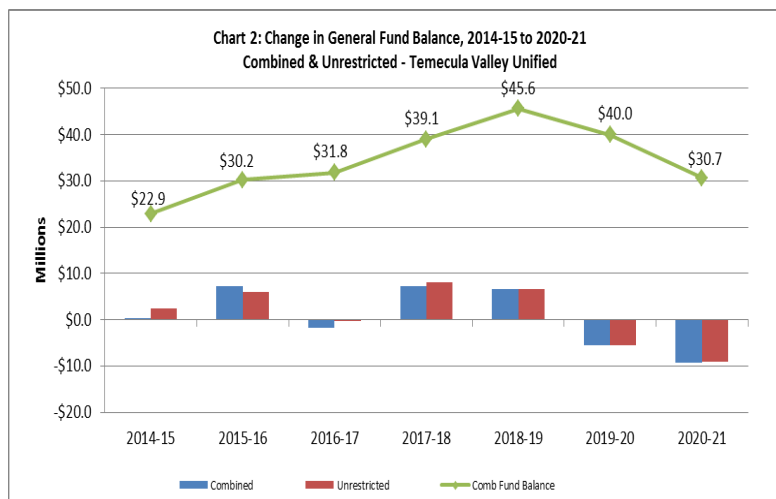
Enrollment and Average Daily Attendance (ADA) – The district's projected ADA to enrollment ratio (capture rate) for 2018-19 is 95.4 percent, which is within the historical average ratio for the three prior fiscal years. The district estimates 27,021 ADA for the current fiscal year, or a 0.1 percent decrease from the 2017-18 P-2 ADA. For 2019-20 and 2020-21, the district projects a 0.2 percent decrease in each year.



Unduplicated Pupil Percentage – The district reports an unduplicated pupil percentage of 28.80 percent for 2018-19, 30.16 percent for 2019-20, and 30.19 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 27.58 percent.

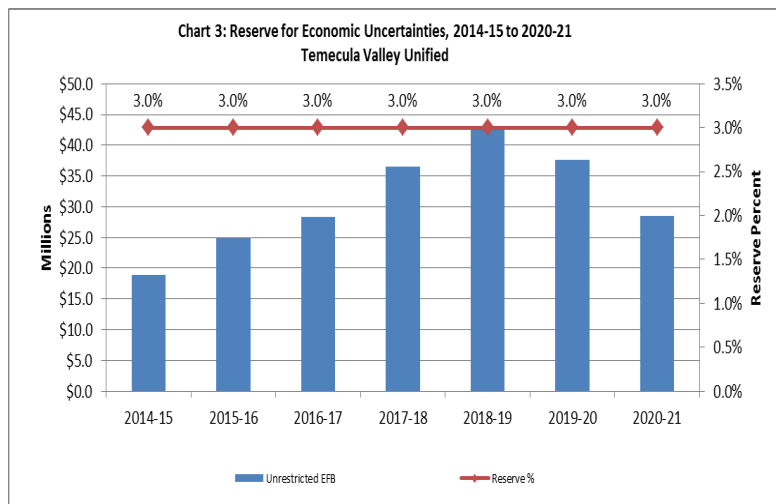
Local Control Funding Formula (LCFF) – The district has incorporated target funding as proposed in the Governor’s 2018-19 budget projections. Additionally, the district estimated COLAs of 3.00 percent, 2.57 percent, and 2.67 percent for the 2018-19, 2019-20, and 2020-21 fiscal years, respectively. Our office recommends a contingency plan should LCFF funding not materialize as projected in the Governor’s 2018-19 budget proposal.

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 \$5.6 million in 2019-20 and \$9.3 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 if enrollment and ADA continue to decline.

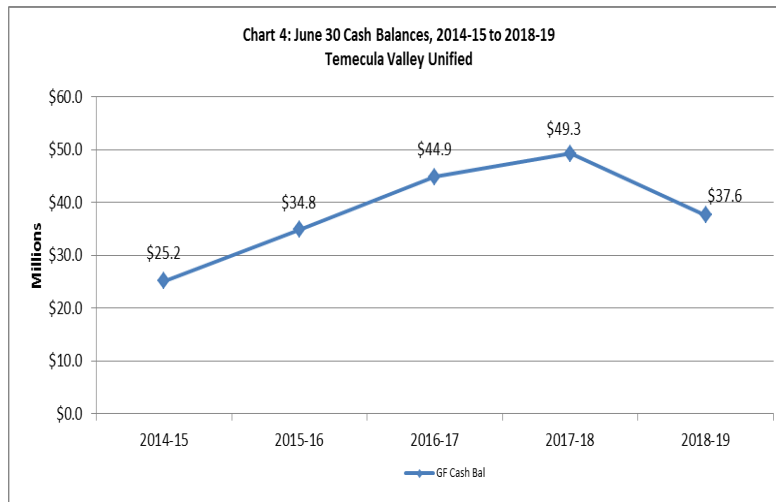


Employee Negotiations – As of the board date, June 26, 2018, the district reports salary and benefit negotiations are complete with both the certificated and classified bargaining units for the 2018-19 fiscal year. The certificated bargaining agreement provided for a 2.0 percent increase to the certificated salary schedule, beginning July 1, 2018. The classified bargaining agreement provided for a 2.3 percent salary schedule increase, beginning July 1, 2018.

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 subsequent fiscal years.

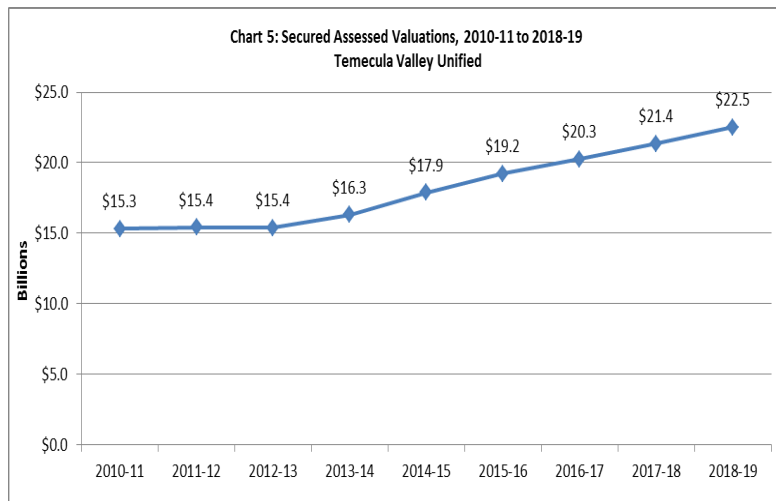


Cash Management – Chart 4 provides a historical summary of the district’s June 30th General Fund cash balance. Based on the budget’s cash flow analysis, the district projects a positive General Fund cash balance of \$37.6 million as of June 30, 2019. This balance does not include any temporary borrowings, 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 6.26 percent countywide in 2019-20. Chart 5 displays a historical summary of the district’s secured property tax assessed valuations.



Conclusion

As we enter a new era in California school finance, it is crucial that districts maintain prudent budget practices. Changes in State and Federal legislation, which remain uncertain, could lead to significant changes in future funding levels and compliance requirements. Additionally, there is increasing pressure for public agencies to provide additional layers of spending transparency. We encourage districts to begin assessing program contributions and reducing any structural deficits so that fiscal solvency can be preserved through changes in the operational landscape. 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.