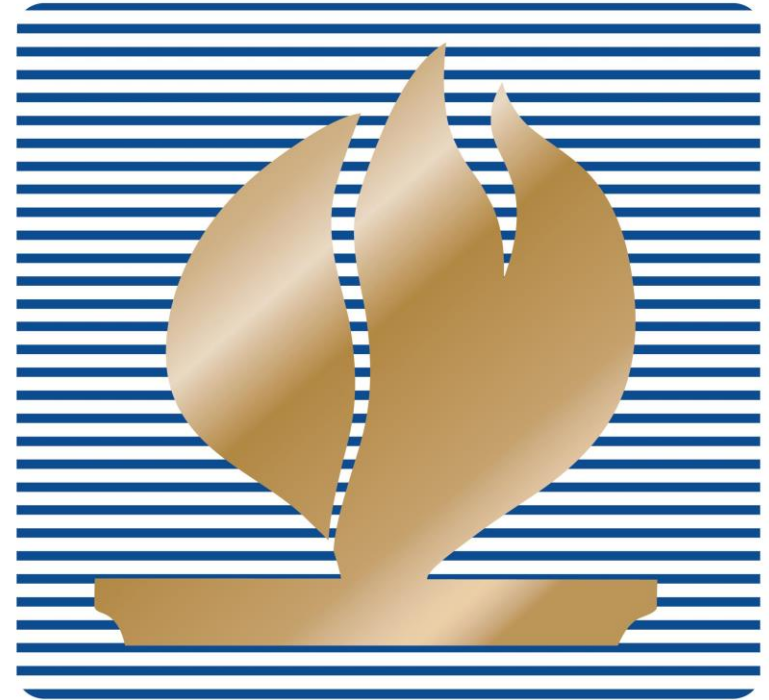


# Coachella Valley Unified School District

Ensuring Fiscal Solvency:  
Current Status, Implications,  
and Next Steps

**Scott Price, Ph.D.**

Chief Business Official  
Riverside County Office of Education



**RIVERSIDE COUNTY  
OFFICE OF EDUCATION**

**EDWIN GOMEZ, Ed.D.**  
County Superintendent of Schools

# Purpose of Presentation

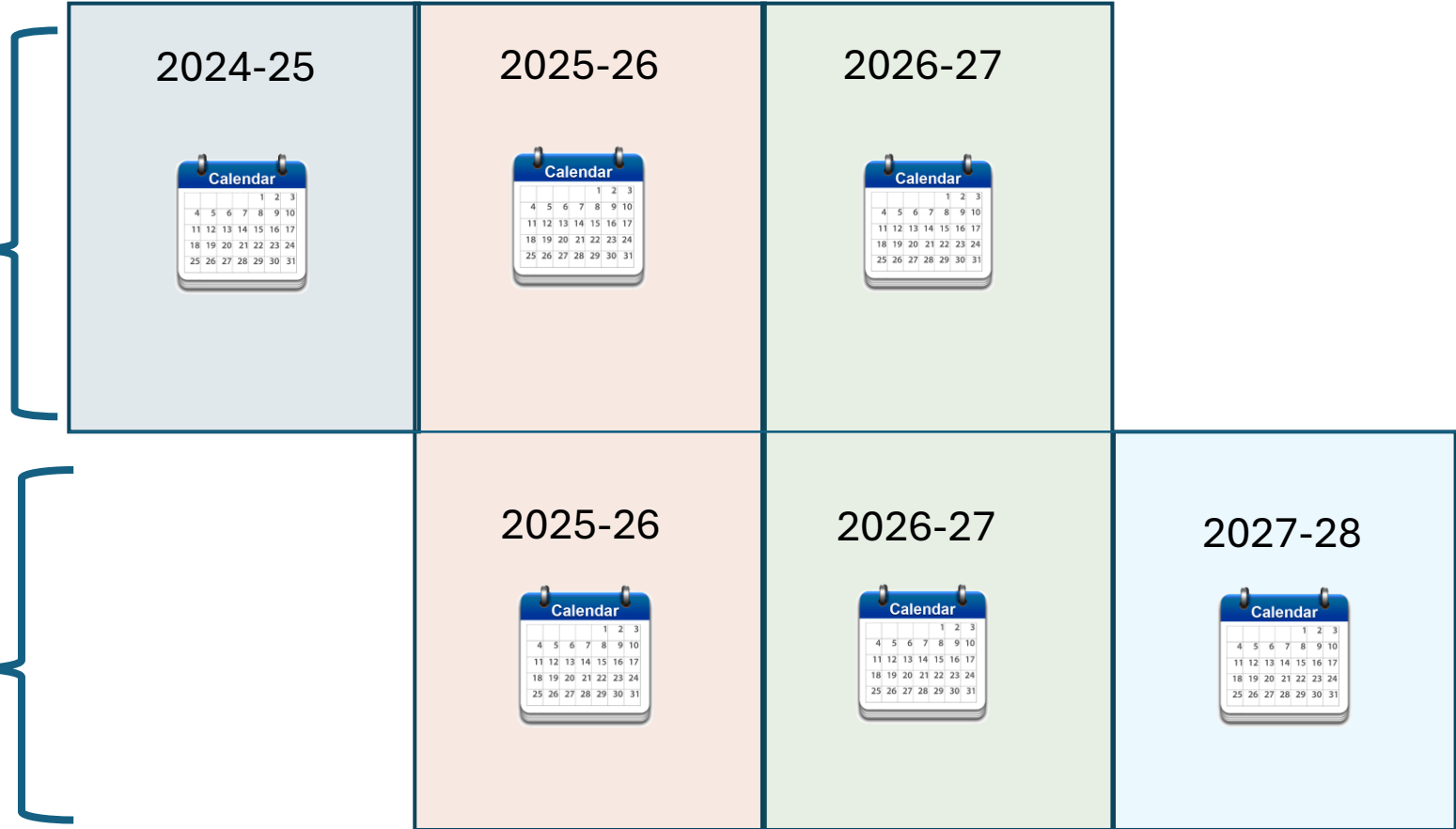
- Overview of the district's current fiscal condition
- Necessary actions and timeline for achieving fiscal stability
- Implications should these corrective steps not be implemented to maintain financial solvency.
- Review of budget insights derived from the CVUSD's Board-Adopted Budget, third-party multi-year projections, and insights gained through RCOE support to allow for a more comprehensive understanding of the district's current fiscal standing.

# Budget Cycle

<b>Budget Report</b>	<b>Timeframe</b>	<b>Focus</b>
2024-25 District Budget	June 2024	Budget approved and adopted for coming year
First Interim Budget	December 2024	Analysis of the progress of the 2024-25 Adopted Budget
Second Interim Budget Report	March 2025	Analysis of unspent funds to add to 2025-26 Budget
2025-26 Adopted Budget	June 2025	Closing 2024-25; Adding 2027-28 to Multi-Year Projection

# Budgets Require a Three-Year Projection

2024-25 Budget



2025-26 Budget

# Assembly Bill 1200 (1991)

- Enacted to ensure the financial accountability of school districts in California, AB 1200 established oversight processes for county offices of education to monitor district financial stability.
  - Requires school districts to prepare balanced budgets.
  - Mandates multi-year financial projections.
  - Imposes fiscal health criteria and standards for district budgets.
- This legislation aims to prevent financial distress in school districts, maintaining educational stability and accountability across the state.

# County Superintendent Roles & Responsibilities

- **Budget Review and Approval:** County superintendents review and approve or disapprove district budgets to ensure fiscal solvency.
- **Intervention Support:** Assist districts facing fiscal challenges and impose corrective actions if necessary.
- **Oversight of Financial Reports:** Monitor interim and annual financial reports from districts for compliance with state requirements.
- **Certification of Financial Status:** Provide certifications (positive, qualified, or negative) regarding each district's financial health to the California Department of Education.

# Related Education Codes



## **Education Code § 42127**

Governs budget submission and approval processes for school districts, including the requirement for balanced budgets and county superintendent review.



## **Education Code § 42130-42131**

Outlines requirements for interim financial reports and financial certifications (positive, qualified, or negative) to monitor district fiscal health.



## **Education Code § 1240:**

Specifies county superintendent responsibilities, including oversight and assistance for districts in fiscal distress.



## **Education Code § 1620-1630:**

Addresses the fiscal oversight responsibilities of county superintendents, including powers to intervene when districts receive a qualified or negative certification.

# Qualified Certification of District Financial Health

- Indicates the district *may not meet financial obligations* in the current or next two fiscal years.
- Consequences
  - Increased monitoring and oversight by the county superintendent.
  - Requirement to submit a corrective action plan to address financial risks.
  - County office may provide technical assistance to improve fiscal stability.
  - Potential restrictions on certain expenditures until financial health improves.



# Negative Certification in District Financial Health

- Signals the district is **unable to meet financial obligations** for the current or subsequent fiscal year.
- Consequences
  - County superintendent has authority to intervene directly in district financial decisions.
  - Mandatory development and implementation of a recovery plan with close oversight.
  - Possible appointment of a fiscal advisor to oversee district operations.
  - Risk of state intervention or a loan from the state, which can lead to state control over district governance.

# State Intervention in School District Finances

- State intervention serves as a last-resort measure to prevent district insolvency but can have lasting impacts on local governance and resources.
- **Loss of Local Control:**
  - Superintendent is fired
  - The district's governing board loses authority over financial and operational decisions.
  - A state-appointed administrator or trustee takes over the district's operations, responsible for implementing a financial recovery plan.
- **Mandatory Repayment of State Loan:**
  - State loans come with interest and repayment terms that can impact district finances for years.
  - District resources are redirected to repay the loan, potentially limiting funds for educational programs and services.

# Related Education Codes



## **Education Code § 42131:**

Defines qualified and negative certifications, including criteria and follow-up actions required by districts and county superintendents.



## **Education Code § 42127.6:**

Provides county superintendents with authority to monitor district finances closely and initiate corrective action or technical assistance when districts face financial risks.



## **Education Code § 41320 - 41320.1:**

Governs state loans to insolvent districts, outlining repayment terms, interest rates, and mandatory financial recovery plans.

Details loss of local control when a district requires a state loan, including the role of a state-appointed administrator or trustee with full authority over district operations.



## **Education Code § 42122-42129:**

Establishes the process for financial recovery and state oversight, including required audits and reporting that extend until loan repayment is completed.

# Prior Correspondence Provided to the District

- **January 12, 2024** – Our office concurred with the district's Positive First Interim certification.
- **January 18, 2024** – Comments provided on the CVTA bargaining agreement included required budget reductions of:
  - \$1.6 million for 2024-25
  - \$24.1 million for 2025-26
  - Projected a negative \$7.0 million unrestricted ending fund balance for 2025-26 if no mitigating actions are taken.
  - Required a board-approved financial stabilization plan to be submitted with the Second Interim Report.

# Prior Correspondence Provided to the District

- **February 1, 2024** – Comments provided on the CSEA bargaining agreement included required budget reductions of:
  - \$3 million for 2024-25
  - \$27.6 million for 2025-26
  - Projected a negative \$15.4 million unrestricted ending fund balance for 2025-26 if no mitigating actions are taken.
  - Reiterated requirement for a board-approved financial stabilization plan with the Second Interim Financial Report, due by March 15, 2024.

# Prior Correspondence Provided to the District

- **April 12, 2024** – Our office concurred with the district’s Qualified Second Interim certification.
- **Key concerns highlighted:**
  - Second Interim projections did not fully account for costs associated with previous bargaining agreements, leading to understated expenditures.
- **Requirements:**
  - Submission of a Third Interim Report by June 1, 2024, with updated multi-year projections reflecting the full costs of bargaining agreements.
  - Inclusion of a board-approved financial stabilization plan to address the entire projected shortfall.

# Prior Correspondence Provided to the District

- **July 9, 2024** – Comments provided on the district’s Third Interim submission (originally due June 1, 2024).
- **Key Issues:**
  - Stabilization plan was not submitted until June 17, 2024, delaying review.
  - Plan did not align with Third Interim multi-year projections and offered limited detail on adjustments to major expenditures.
  - Our office could not assess the reasonableness of the budget stabilization plan as presented.
- **Next Steps:**
  - A comprehensive review of the 2024-25 Adopted Budget and LCAP will be conducted, with further details provided later in the summer.

	Adopted Budget	First Interim	Second Interim	Third Interim
District Certification	—	Positive	Qualified	—
County Certification	Approved	Positive	Qualified	—
Current Year Unrestricted Operating Deficit/Surplus	(\$6.0) M	(\$16.3) M	(\$12.8) M	(\$12.8) M
Required Reserve	\$12.2 M	\$13.1 M	\$13.0 M	\$13.1 M
Total Unrestricted Ending Fund Balance	\$38.2 M	\$42.0 M	\$45.6 M	\$45.6 M
Current Year Projected ADA	14,444	14,309	14,275	14,555

**July 9, 2024** – Our letter commenting on the Third Interim submission also included the chart above.

Prior Correspondence Provided to the District



# Prior Correspondence Provided to the District

- **August 30, 2024** – Our office approved the district’s adopted budget and LCAP, but noted several areas of concern:
  - **Multi-Year Projections:** Projections for the 2025-26 fiscal year did not include costs for step and column increases for certificated salaries, resulting in an understatement of \$2.0 million annually in projected salaries and benefits for 2025-26 and 2026-27.
  - **Position Control:** Identified practices that may impede accurate forecasting and management of personnel costs.
  - **Estimated Actuals:** Continued omission of the full costs of 2023-24 settlements with certificated and classified bargaining units. Additionally, salary schedule increases for confidential and management staff, approved on May 16, 2024, were not reflected in multi-year projections. These omissions led to understated salary and benefit projections, impacting the district’s 2024-25 beginning and ending fund balances.

Incorporated Multi-Year Expenditure Reductions		
	2025-26	2026-27
Certificated Salaries*	\$25.9 Million	\$2.6 Million
Classified Salaries*	\$3.4 Million	-
Employee Benefits	\$12.8 Million	\$1.5 Million
Total	\$42.1 Million	\$4.1 Million

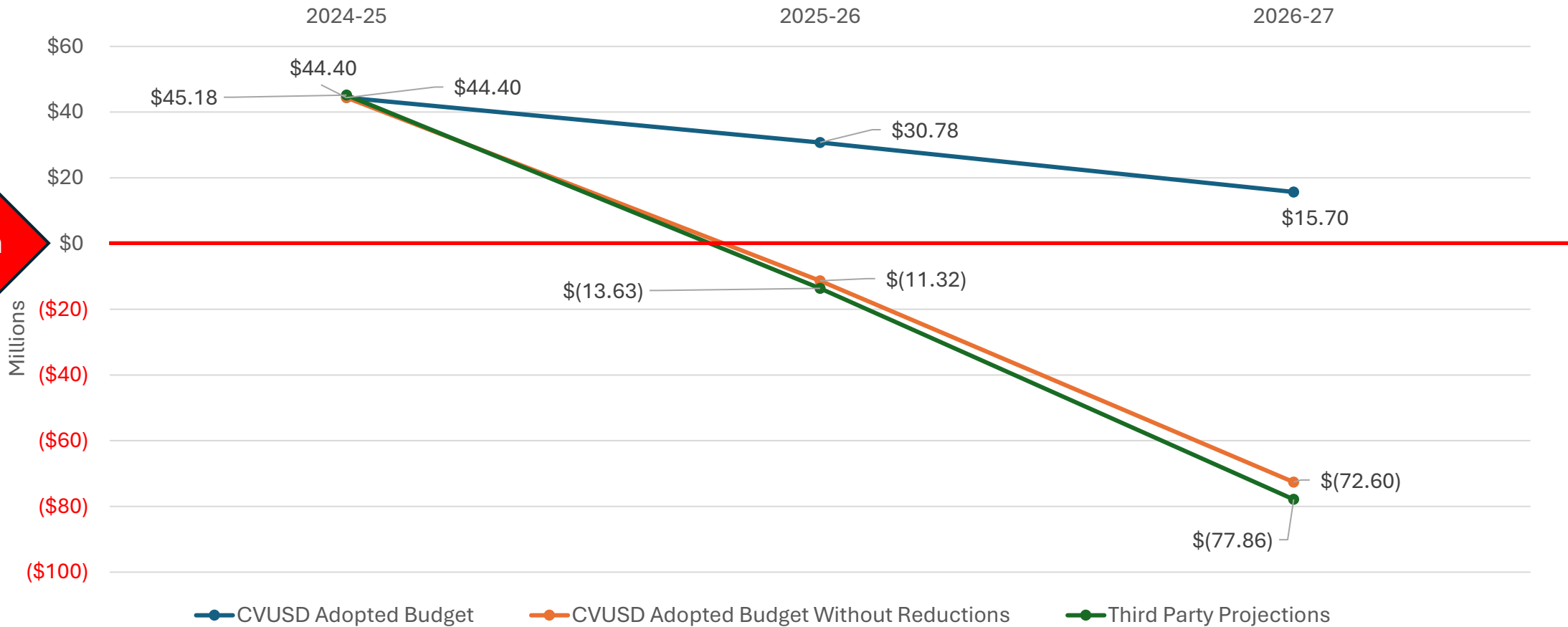
\*For position reductions to occur in the 2025-26 fiscal year, the district must take action by March 15, 2025.

Omitted from Multi-Year Projections		
Certificated Step And Column	\$2.0 Million	\$2.0 Million
Total Reductions Needed	\$44.1 Million	\$6.1 Million

**August 30, 2024** – The District’s Adopted Budget and LCAP approval letter also included the chart above.

Prior Correspondence Provided to the District

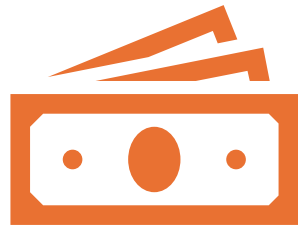
# Unrestricted General Fund Balances



# Independent Third-Party Projections

- Our office engaged Eide Bailly to conduct an independent review and develop a multi-year financial projection, along with a cash flow forecast, based on Coachella Valley's actuals to date.
- This assessment confirmed that Coachella Valley's Adopted Budget was significantly misaligned with the live personnel and payroll system.
- Despite this, the reductions required to achieve fiscal solvency persist and may increase substantially in the coming years.

# Layoff Notices Timeline



## **Education Code § 44949:**

Requires districts to provide preliminary layoff notices by March 15 to employees when budgetary or programmatic reductions necessitate layoffs.

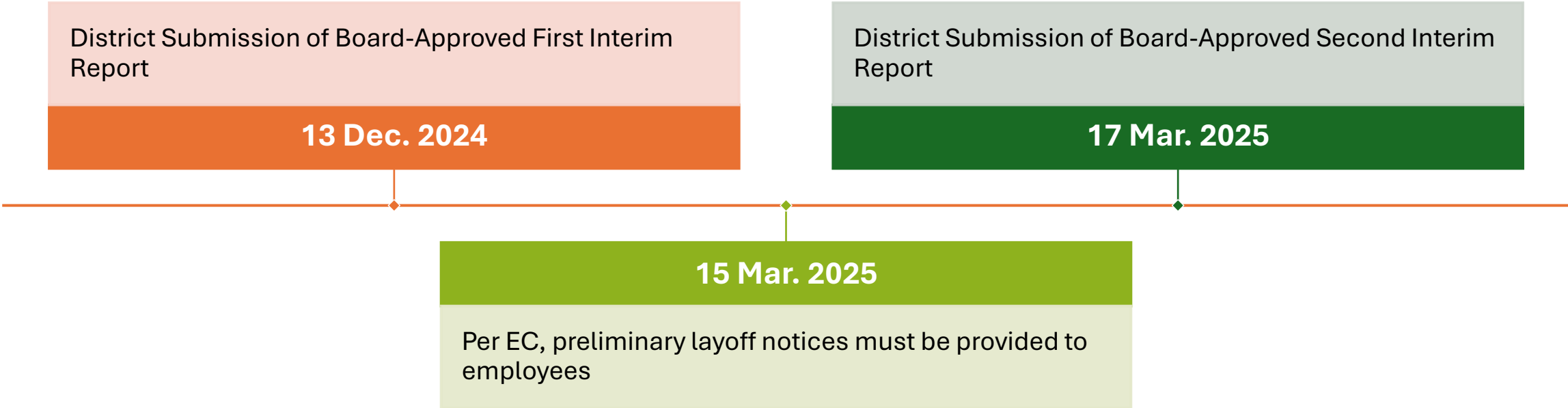
Establishes due process rights, including hearings, if employees contest the layoff notice.



## **Education Code § 44955:**

Governs the criteria for layoffs of staff due to a reduction in services or attendance, including the requirement to issue final layoff notices by May 15.

# Action Timeline



# Lack of Going Concern Determination

- Per EC 42127.6, the Riverside County Superintendent of Schools has determined that the Coachella Valley Unified School District may be unable to meet its financial obligations for the current or two subsequent fiscal years and has determined Coachella Valley Unified School District as a Lack of Going Concern.
- This determination is in response to the district's updated multi-year financial projections, the district's inability to make progress towards a stabilization plan as requested, and a shortened time frame to implement sustainable actions.

# Lack of Going Concern Determination

- Implications Identified for Coachella Valley's Lack of Going Concern Determination per EC 42127.6:
  - Direct the school district to submit a financial projection of all fund and cash balances of the district as of June 30 for the current and subsequent fiscal years.
  - Direct the district to submit a proposal for addressing the fiscal conditions that resulted in the determination that the district may not be able to meet its financial obligations.



# Next Steps

- Official Notice of Lack of Going Concern
  - Notification sent to the District Superintendent, Governing Board, and State Superintendent of Public Instruction. After notification, if not remedied, the County shall notify the State Board of Education President, each employee organization, and each parent organization. The State Superintendent monitors efforts and assists, including assigning FCMAT support.
- Assignment of Fiscal Advisor
  - Ensures the district does not commit to any unaffordable expenditures
- Continued County Office Oversight
  - County oversight role remains advisory; the district must develop its own financial stabilization plan