

**REPORT
HIGHLIGHTS**
PERFORMANCE AUDIT

Our Conclusion

In fiscal year 2010, Santa Cruz Valley Union High School District's student achievement was far below both the peer districts' and state averages, and its operational efficiencies were mixed with some costs higher and some costs lower than peer districts'. The District's administrative costs were much higher than peer districts', in part because of a sudden drop in student enrollment, but also because it paid a certified public accounting firm to help correct poor business practices previously cited by its independent financial auditors. The District's plant operations and student transportation program both functioned in a reasonably efficient manner, but its food service per-meal costs were much higher than peer districts' because the District employed more food service staff. Further, since fiscal year 2005, the District has shifted its spending from the classroom to other operational areas, primarily administration and instructional support services.



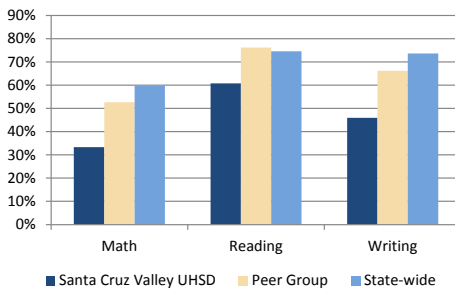
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Lower student achievement and mixed operational efficiency

Student achievement much lower than peer and state averages—In fiscal year 2010, Santa Cruz Valley UHSD's student AIMS scores were far below the peer districts' and state averages. In addition, the District's school did not meet "Adequate Yearly Progress" for the federal No Child Left Behind Act. Further, its 60 percent high school graduation rate was much lower than the 75 percent peer district average.

**Percentage of Students Who Met or Exceeded State Standards (AIMS)
Fiscal Year 2010**



District's operational efficiency mixed with some costs higher and some costs lower than peer districts'—In fiscal year

2010, Santa Cruz Valley UHSD spent 35 percent more per pupil on administration than peer districts, in part because of a sudden drop in student enrollment, but also because the District hired a new business manager and a certified public accounting (CPA) firm to help correct poor business practices. Despite higher per-pupil costs, the District's plant operations functioned in a reasonably efficient manner with lower costs per square foot. Further, transportation costs per mile were much lower than peer districts' primarily because the District did not employ a transportation director. However, the District's food service costs per meal were much higher than peer districts' because of overstaffing.

**Expenditures by Function
Fiscal Year 2010**

Per Pupil	Santa Cruz Valley UHSD	Peer Group Average
Administration	\$1,956	\$1,446
Plant operations	1,613	1,473
Food service	414	428
Transportation	326	468

District had high administrative costs

Declining enrollment contributed to high costs—For several years prior to fiscal year 2010, the District's student enrollment remained around 500 students. However, in fiscal year 2010, the District's student enrollment suddenly dropped by 14 percent to 424 students. This decline in enrollment increased the District's per-pupil administrative costs by \$280.

Higher costs to improve poor business practices—At the start of fiscal year 2010, to help improve business office operations and correct poor business practices cited

by its independent financial auditors, the District hired an experienced business manager at a salary that was 46 percent higher than business managers in the peer group typically earned. In addition, the District also paid a CPA firm over \$69,000 in fiscal year 2010 to perform work such as reviewing monthly transactions and providing payroll processing. The combined costs of paying more for an experienced business manager and paying the CPA firm increased the District's per-pupil administrative costs by \$221.

By the end of fiscal year 2011, the higher paid business manager no longer worked at the District, and the District's business practices were sufficiently corrected so it no longer needed the CPA firm; therefore, it no longer incurred the associated additional costs.

Recommendation—If student enrollment continues to decline, the District should review its administrative staffing levels to see if they can be reduced to reflect the shrinking student population and save costs.

Inefficient food service program loses money

In fiscal year 2010, Santa Cruz Valley UHSD's food service program cost nearly \$40,000 more to operate than it generated in revenue. From fiscal years 2006 through 2010, food service losses totaled over \$365,000. The District's \$3.83 cost per meal was 26 percent higher than the peer districts' average and 42 percent higher than the federal National School Lunch Program reimbursement rate. Costs were high because the District employed more staff due to the way its cafeteria

operations were set up. The District's cafeteria had three separate service lines requiring at least one employee each to operate. Seven similar districts that have also recently received performance audits typically operated only one service line in their high schools.

Recommendation—The District should evaluate its food service operations and determine if they can be modified to reduce staffing levels.

District reduced classroom spending and shifted monies to other operational areas

Despite increased per-pupil spending, classroom spending decreased considerably in fiscal year 2010—Between fiscal years 2009 and 2010, Santa Cruz Valley UHSD's total per-pupil spending increased \$206 while its classroom per-pupil spending decreased \$497. As a result, the District's percentage of resources directed into the classroom dropped from an already low 44.2 percent in fiscal year 2009 to 38.1 percent in fiscal year 2010. This reduction in classroom spending can be attributed primarily to the state-wide reduction in available Classroom Site Fund monies and the District's decision to increase class sizes.

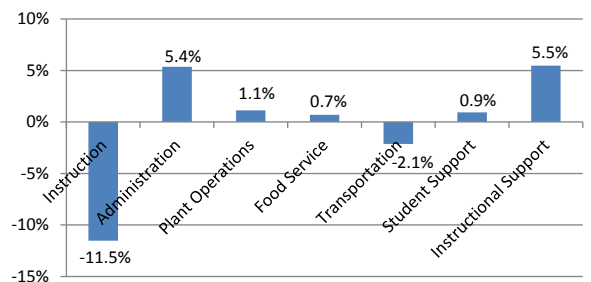
2010. Between fiscal years 2005 and 2010, the District's total spending per pupil increased \$690 while its classroom spending per pupil decreased \$771. As shown in the figure below, the additional nonclassroom spending occurred primarily in administration and instructional support.

**Comparison of Per-Pupil Expenditures
Fiscal Years 2009 and 2010**

	Total	Classroom	Nonclassroom
2010	\$9,650	\$3,673	\$5,977
2009	9,444	4,170	5,274
Difference	\$ 206	\$ (497)	\$ 703

District has shifted classroom spending to other operational areas over past 5 years—The District's shift in spending away from the classroom was also evident in the 5 years prior to fiscal year

**Percentage Change of Expenditures by
Operational Area
Fiscal Year 2010 Versus 2005**



Recommendation—The District should look for ways to reduce nonclassroom spending and direct more monies back into the classroom.