

# Second Interim 2016-17



**COVINA-VALLEY**  
UNIFIED SCHOOL DISTRICT

*"Success For All!"*

# SECOND INTERIM REPORT AND CERTIFICATION

- Districts are required to submit two interim budget reports to determine whether they could meet their financial obligations in the current and the two subsequent fiscal years
- The District must certify each report as “Positive”, “Qualified”, or “Negative” based on the ability of the district to meet its financial obligations
- The Second Interim Report represents the actual and projected financial position of the General Fund as of January 31, 2017

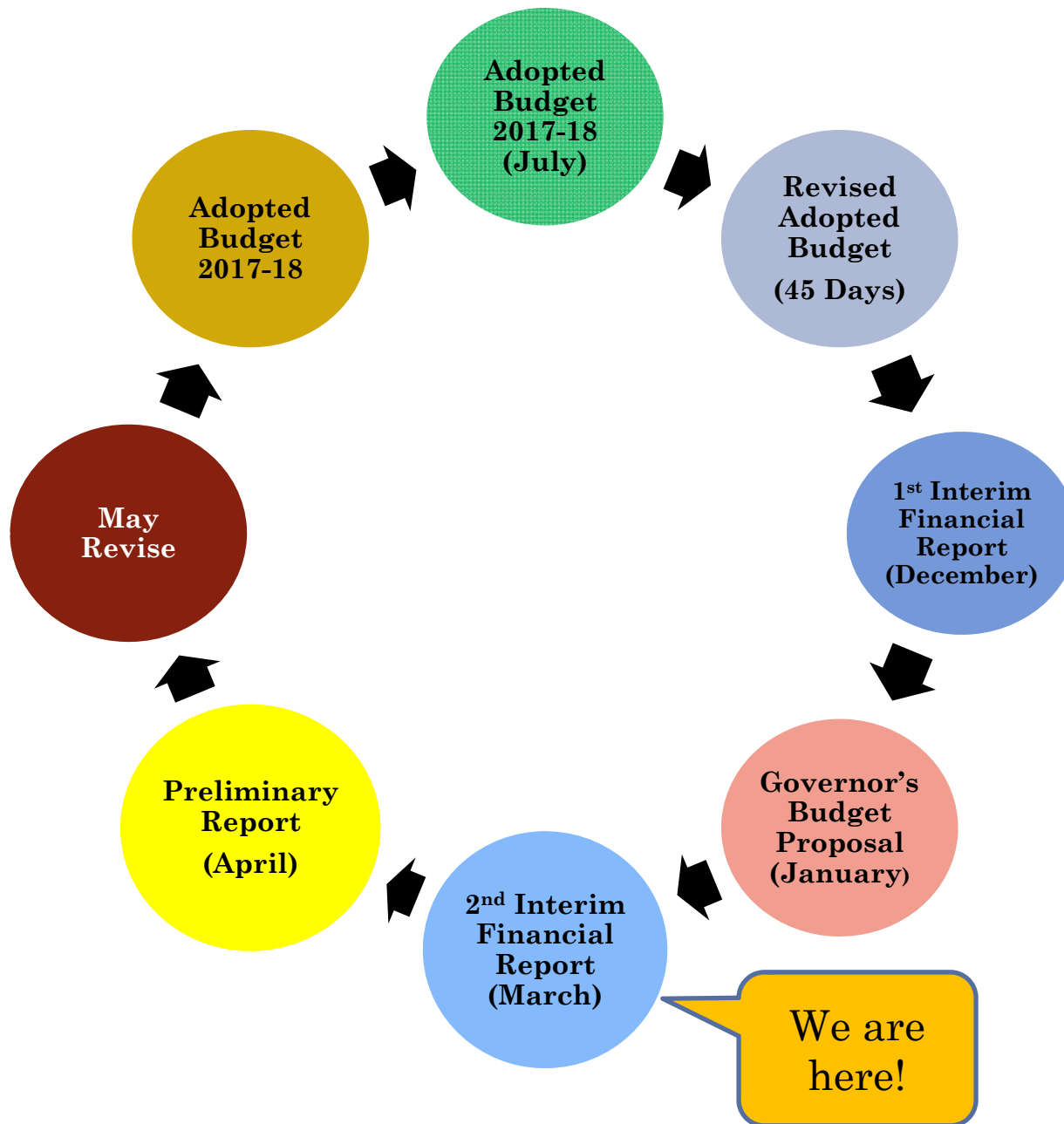
# CERTIFICATION DEFINITION

**POSITIVE** = The district, based on current projections, **will be able** to meet its financial obligations for the current and subsequent two fiscal years

**QUALIFIED** = The district, based on current projections, **may not be able** to meet its financial obligations for the current and subsequent two fiscal years

**NEGATIVE** = The district, based on current projections, **will be unable** to meet its financial obligations for the current and subsequent two fiscal years

# Annual Budget Cycle



# MAJOR CHANGES SINCE FIRST INTERIM REPORT (IN MILLIONS)

(Cost Increase)/Savings	2016-17	2017-18	2018-19	Cumulative
LCFF Funding Variables	\$0.02	(\$3.02)	(\$0.90)	(\$3.90)
CalPERS Rate Increase	\$0.00	(\$0.04)	(\$0.21)	(\$0.25)
Transfer RDA Funds to Fund 40.0	(\$0.30)	(\$0.30)	(\$0.30)	(\$0.90)
New Energy Conservation Project Equipment Lease	(\$0.19)	(\$0.39)	(\$0.39)	(\$0.97)
One Time Discretionary Funds	\$0.00	\$0.55	\$0.00	\$0.55



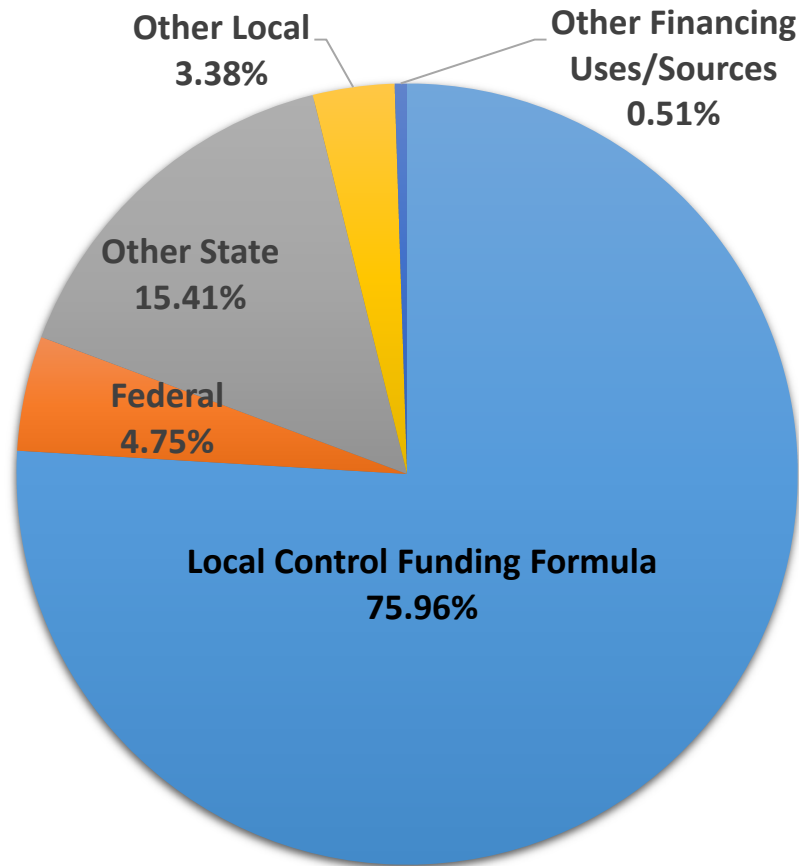
# COVINA-VALLEY USD's FIVE CORE INITIATIVES

- Code to the Future
- i-Ready
- Dual Language Immersion Programs
- Focused Schools
- Technology

# REVENUE VS. COST

- On the natural, costs continue to rise
  - Step and column
  - Health and welfare
  - CalPERS/CalSTRS contributions
- Declining enrollment also results in revenue losses
- Ongoing revenues rise by only 1.48% for 2017-18
- Ongoing costs for most districts are likely to exceed 4%
- New revenues will not cover new costs
  - And it gets worse in the out years
- There is no new “targeted money” for gap closure in 2017-18
- Bottom line, most districts will have difficulty sustaining commitments made in prior years in the face of lower State revenue projections

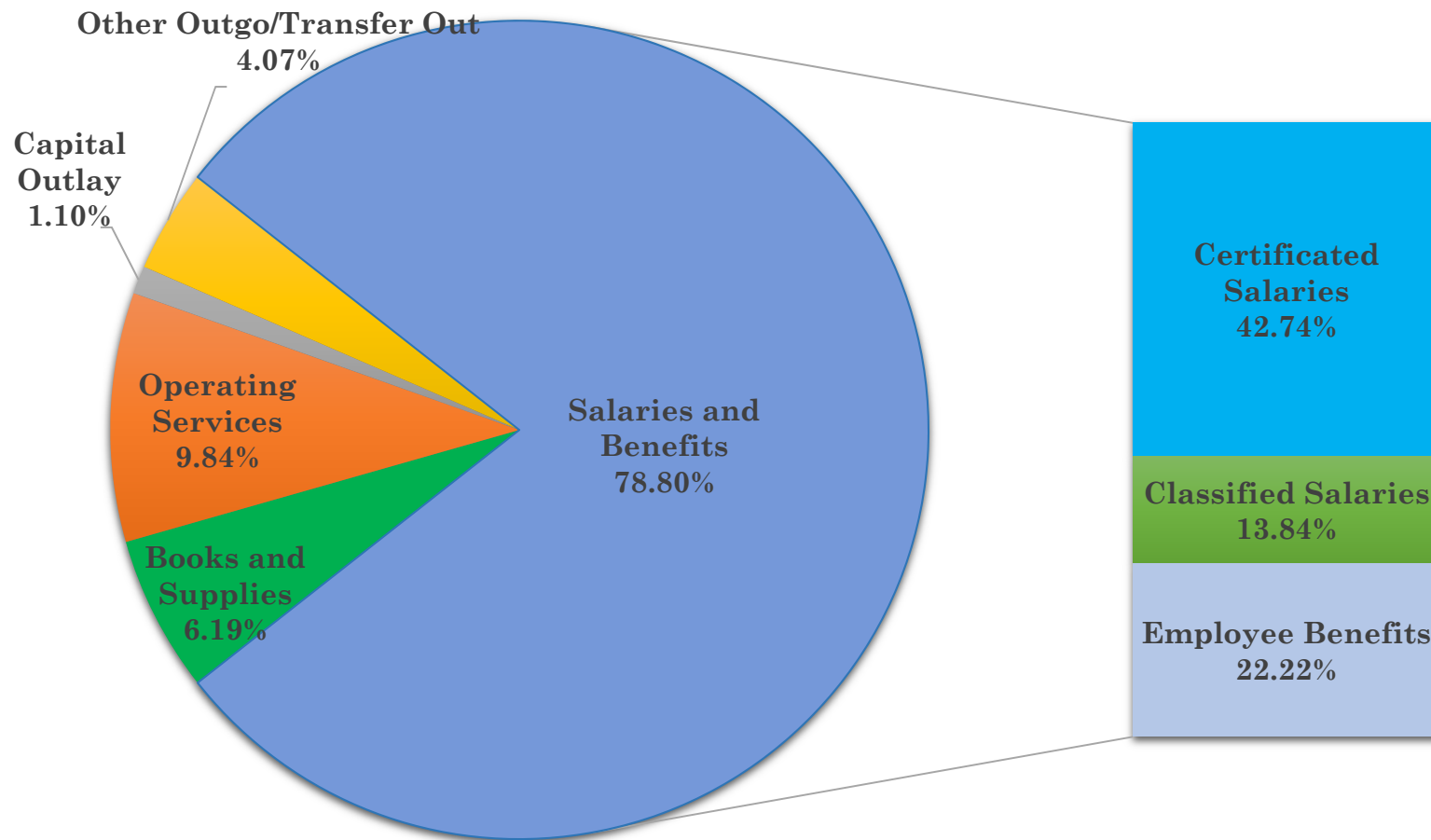
# 2016-17 SECOND INTERIM GENERAL FUND REVENUES



**Total Revenues = \$145,654,787**



# 2016-17 SECOND INTERIM GENERAL FUND EXPENDITURES



**Total Expenditures = \$150,384,769**

**Unrestricted Labor = 82.3%**

# MULTI-YEAR CONSIDERATIONS

- CalSTRS and CalPERS employer contributions are still increasing
- Health and welfare contributions are increasing
- Contributions to restricted programs continue to increase
- Declining enrollment will continue to make it difficult to balance the budget
- Education will be receiving 40% vs. 90% of new State revenue once the Maintenance Factor is paid off
- Expectations are for COLA-only years after the LCFF target is reached
- The reserve cap, if implemented, demands a balanced budget

# REDUCTIONS TO ACHIEVE POSITIVE BUDGET CERTIFICATION

<b>Staffing Reduction</b>	<b>Management (94.5 FTE's)</b>	<b>Psychologists (15.5 FTE's)</b>	<b>CUEA (581.5 FTE's)</b>	<b>CSEA (504 FTE's)</b>
<b>FTE's CUT</b>	<b>5.5</b>	<b>2/1</b>	<b>18.4</b>	<b>15</b>
<b>CUT DESC.</b>	<b>Cert. 4.5 + Class. 1.0</b>	<b>-</b>	<b>TOSA/PE Teachers</b>	<b>-</b>
<b>SAVINGS OVER TWO YEARS</b>	<b>\$1,150,000</b>	<b>\$265,000</b>	<b>\$3,500,000</b>	<b>\$720,000</b>
<b>PERCENTAGE OF UNIT FTE's</b>	<b>5.82%</b>	<b>6.45%</b>	<b>3.16%</b>	<b>2.98%</b>
<b>PERCENTAGE OF SAVINGS</b>	<b>20.44%</b>	<b>4.55%</b>	<b>62.21%</b>	<b>12.80%</b>

# REDUCTIONS TO ACHIEVE POSITIVE BUDGET CERTIFICATION (CONT.)

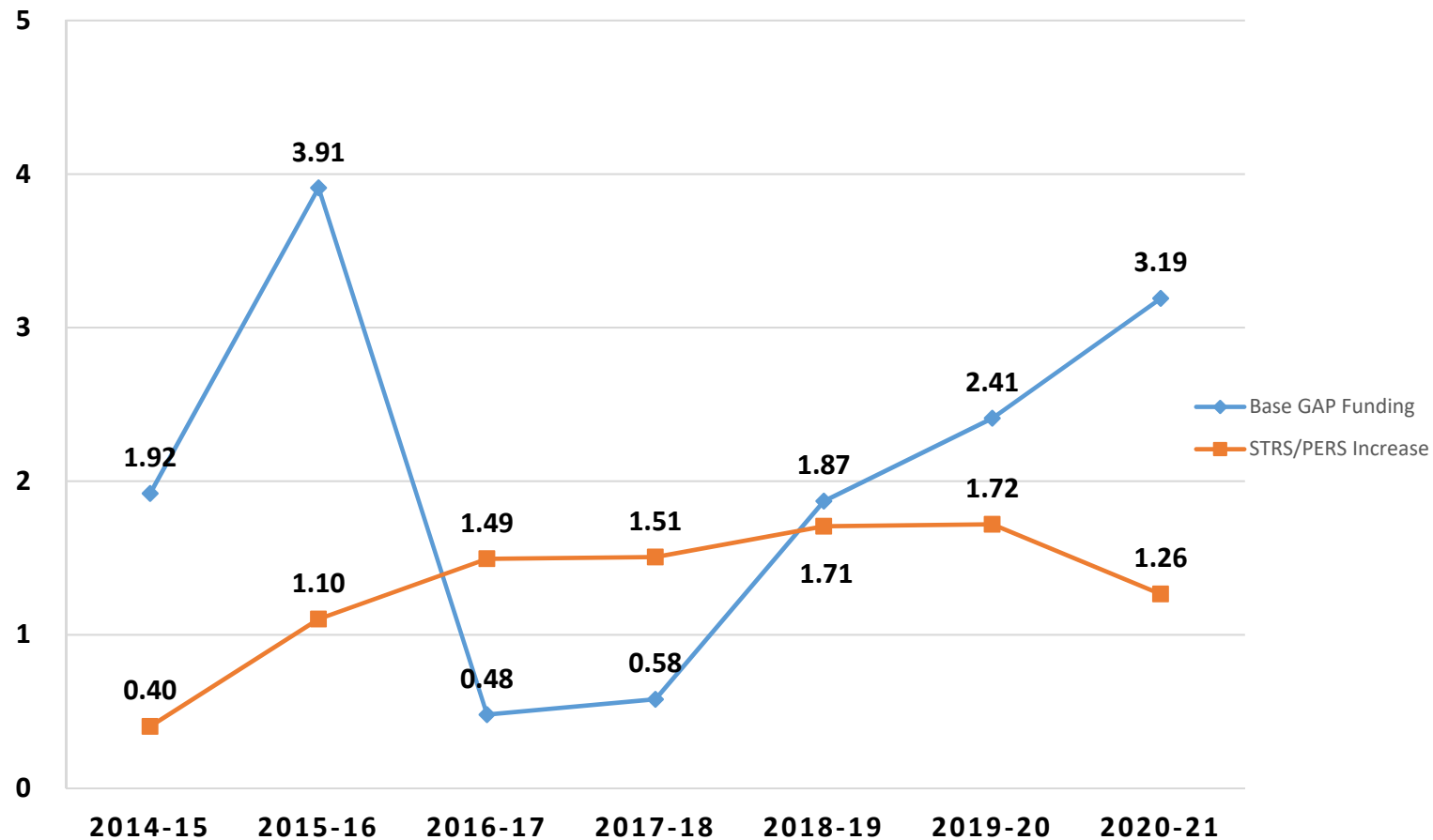
- Other Program Savings/Funding Shifts
  - Cut ROP
  - Cut Technology Integration
  - Shift TK Aides to Title I
  - Cut S/C Site Money
  - Shift Summer Cleaning Funding to Routine Restricted Maintenance
  - Shift Funding for Classified Professional Development
  - Cut Afterschool K-12 Lab Time
  - Cut New Teacher Materials
  - Shift TIIG Funding Expenditures (Software)

# 2016-17 SECOND INTERIM GENERAL FUND ENDING BALANCE

2018-19 - Projected Ending Fund Balance	In Millions
First Interim - Projected Ending Fund Balance	\$ (7.2)
Second Interim - Budget Adjustments (Includes Governor's January Proposed Budget: LCFF-GAP Funding/PERS Increase)	\$ (4.3)
Planned Non-Salary Cuts	\$ 6.0
Planned Salary and Benefit Cuts	\$ 5.6
Projected Fund Balance	\$ 0.1
Without Major Cuts	\$ (11.5)

# 2016-17 SECOND INTERIM

## BASE GAP FUNDING VS. STRS/PERS INCREASE (NON-CUMULATIVE IN MILLIONS)





# 2016-17 SECOND INTERIM

## STRS & PERS INCREASE IMPACT ON C-VUSD

Year	STRS Increase	Increase Amount	PERS Increase	Increase Amount
2016-17	1.85%	1,154,341	2.041%	340,510
2017-18	1.85%	1,131,206	1.912%	374,980
2018-19	1.85%	1,133,741	2.900%	572,673
2019-20	1.85%	1,142,244	2.900%	576,968
2020-21	0.97%	603,398	3.300%	661,474
Total Increases	8.37%	5,164,930	13.053%	2,526,605

# MULTI-YEAR GENERAL FUND BUDGET PROJECTIONS

	Second Interim Budget 2016-17	Projected Budget 2017-18	Projected Budget 2018-19
Beginning Fund Balance	\$22,473,545	\$17,743,563	\$13,416,272
Audit Adjustment/Restatement	-	-	-
Revised Fund Balance	\$22,473,545	\$17,743,563	\$13,416,272
Annual Revenues (includes other financing sources)	\$145,654,787	\$140,780,345	\$143,354,187
Annual Expenditures (includes other financing sources)	\$150,384,769	\$145,107,636	\$149,453,886
Changes in Fund Balance	(\$4,729,982)	(\$4,327,291)	(\$6,099,699)
Projected Ending Fund Balance	\$17,743,563	\$13,416,272	\$7,316,573
I. Unavailable Reserves:	\$5,997,472	\$4,026,528	\$2,270,759
1.) Nonspendable:			
a. Revolving Cash	\$35,000	\$35,000	\$35,000
b. Inventory	\$75,000	\$75,000	\$75,000
2.) Restricted Program Balances	\$5,887,472	\$3,916,528	\$2,160,759
3.) Assigned	\$487,940	\$487,940	\$487,940
II. Total Unrestricted Fund Balance	\$11,258,151	\$8,901,804	\$4,557,874
1.) Reserve for Economic Uncertainty (3%)	\$4,511,544	\$4,353,230	\$4,483,617
2.) Available Reserves	\$6,746,607	\$4,548,574	\$74,257
III. Available Reserves (Unrestricted Fund)	7.51%	6.15%	3.06%

# CERTIFICATION

- Unrestricted General Fund Unassigned Balance will be Positive in 2018-19
- The District is projected to meet its financial obligations in year three, with the following planned expenditure cuts

# OPERATIONAL CHALLENGES

- Multiyear projections (MYPs) continue to show that most LEAs will be making budget cuts to balance budgets in the out years
  - Build reserves for the lean times
- Collective bargaining has been extraordinarily difficult
  - More impasses and fact-findings than we have ever seen
  - Expectations are high, growth in discretionary funding is slowing
- Manage cash to handle the resurrected deferral

# CHALLENGES

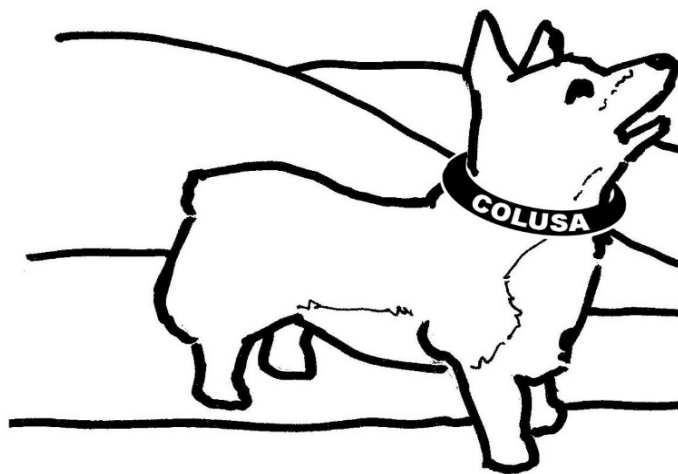
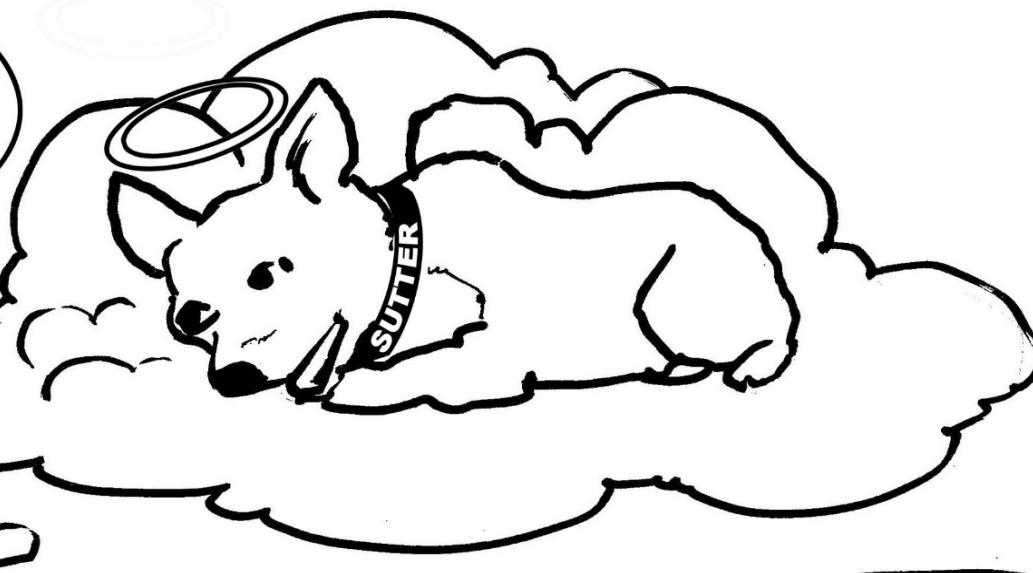
- Structural Deficit – Working Toward Resolution. There is no such thing as a good budget without an adequate reserve
- Projected slight positive General Fund Balance in 2018-19 with planned expenditure reductions
- Future Funding – Enrollment and Unstable GAP Percentage
- Special Education – Program Needs Increasing
- No revenue source for increasing PERS and STRS increases (need help advocating at Capitol)

## NEXT STEPS - SECOND INTERIM REPORT

- Board needs to take formal action on adopting Second Interim Report
- Submit report to LACOE
- Implement expenditure cut plan to maintain positive balances



Don't forget  
to tell them to  
save some biscuits  
for a rainy day!



*Rick Falido*

# Comments or Questions...

