

An illustration of five diverse children of various ethnicities and ages. They are arranged in a human pyramid: one child at the top, two in the middle row, and two at the bottom. They are all smiling and holding hands. The child at the top is a boy with light skin, wearing a red shirt and blue shorts. The child on the left in the middle row is a boy with dark skin, wearing a green shirt and blue shorts. The child on the right in the middle row is a boy with light skin, wearing a striped shirt and yellow shorts. The child on the left at the bottom is a girl with light skin, wearing a pink dress with colorful polka dots. The child on the right at the bottom is a girl with dark skin, wearing a yellow dress with a red skirt. The background is white with a decorative border of colorful musical notes on the right side.

Covina-Valley Unified School District

Second Interim Report

Board Meeting:
March 19, 2012



Presenters

Dr. Catherine Nichols,
Superintendent

David A. Rivera,
Chief Business Officer

Mary Perea,
Director of Fiscal





Report Content

Sections

- ☐ Budget Assumptions Summary
- ☐ Revenues
- ☐ Expenditures
- ☐ Financial Analysis

Sections

- ☐ District Reserves
- ☐ Multi-year Projections
- ☐ Budget Reports
- ☐ State Forms



Second Interim Report

- Reporting Requirements
 - State Mandate to file a certification of financial solvency twice a year
 - Ed Code Sections 35035 (g), 42130, and 42131
 - AB 1200 and AB 1708
 - Projections must include current year and subsequent two years (2012/13 to 2013/14)
 - Timelines
 - First Interim is through Oct 31st and must be authorized by Dec 15
 - Second Interim is through Jan 31st and must be authorized by Mar 15

Noteworthy changes since First Interim Report



Second Interim Report

- Reporting Requirements (Continued)
 - Certifications
 - **Positive** – the District will meet its obligations
 - **Qualified** – the District may not meet its financial obligations
 - **Negative** – the District will be unable to meet its financial obligations
 - Certification is for the current fiscal year and subsequent fiscal years



Budget Assumptions Summary

Outlined on Page 1.1 or 1.2



Revenue Considerations: Base Revenue Limit

Factors	2010-2011	2011-2012
BRL/ADA	\$6,392.18	\$6,367.18
RL COLA	-.39% or (\$25)	2.24% or \$143
Additional ADA Adjustment	\$8.30/ADA	\$8.48/ADA
Subtotal (Before Deficit)	\$6,375.48	\$6,518.66
Deficit Factor	-17.963% or (\$1,145.23)	-20.602% or (\$1,342.97)
Net Base Revenue Limit	\$5,230.25	\$5,175.69
Change in per-pupil-funding		(\$54.56)/ADA

Projections: \$68.7 million, a decrease of
\$2.4 million over prior year



Revenue Considerations: TIER III - Flexibility Transfers

Resource	Program	Funding	Transfers
6258	Physical Education Grant	\$88,053	\$88,053
6350	ROP Program (pass through to ROP)	\$885,771	\$ -
6405	School Safety (campus supervisors)	\$215,247	\$ - \$103,144
7055	CAHSEE	\$144,046	\$144,046
7080	School Counseling (counselors)	\$453,197	\$ -
7140	GATE	\$94,821	\$74,821
7156	Instructional Materials Fund	\$810,244	\$500,000
7271	PAR	\$53,198	\$20,751
7294	Math and Reading	\$103,214	\$103,214
7390	Pupil Retention	\$41,518	\$41,518
7392	Teacher Credentialing	\$23,945	\$ -
7393	Professional Development Block Grant	\$548,904	\$500,000
7394	Targeted Instructional Improvement	\$961,485	\$581,485
7395	School and Library Improvement Grant	\$737,046	\$657,099
6760	Arts and Music Block Grant	\$195,875	\$150,875
7325	Administrator Training Program	\$14,000	\$ -
6285	Community-Based English Tutoring (CBET)	\$51,086	\$ -
	Other Funds		
	Adult Education (Transfer)	\$ -	\$2,000,000
6092	Cal-Safe	\$165,230	\$ -
	Deferred Maintenance (Transfer)	\$ -	\$500,000
	Subtotals	\$5,586,880	\$5,465,006



Expenditure Considerations

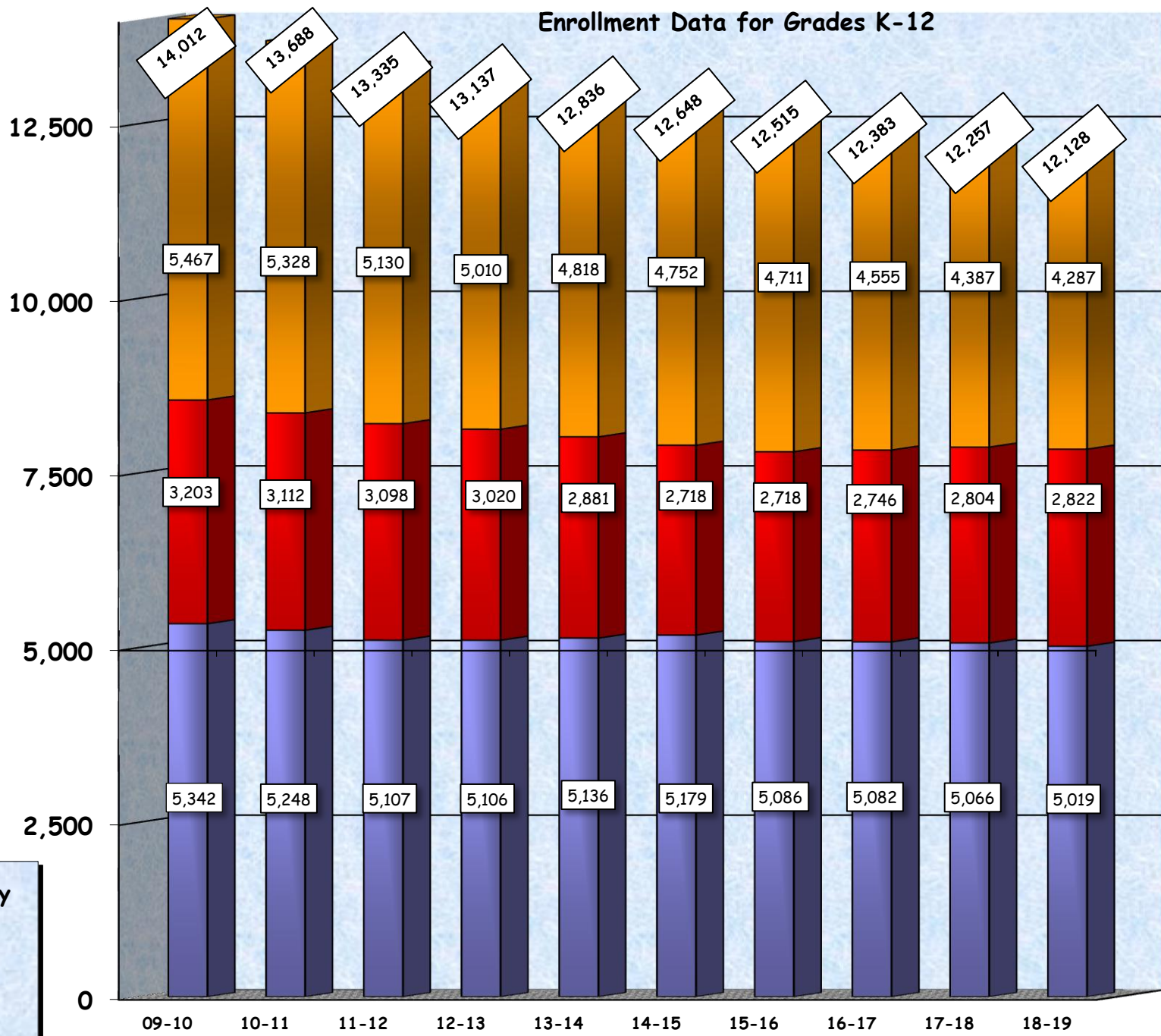
- Negotiated Agreements
- Nominal changes in operating costs
- Contributions from General Fund
 - \$3.5 million to Special Ed
 - Reduction of \$2.6 million
 - \$1.2 million on-going
 - \$1.4 million one-time
 - \$1.1 million for Pupil Transportation
 - Special Ed \$711 thousand
 - Regular Ed \$391 thousand

Financial Analysis

- Noteworthy Trends for the District
 - Student Enrollment
 - Changes in Average Daily Attendance
 - Projections for the Base Revenue Limit

Enrollment Data for Grades K-12

Student Enrollment



Elementary

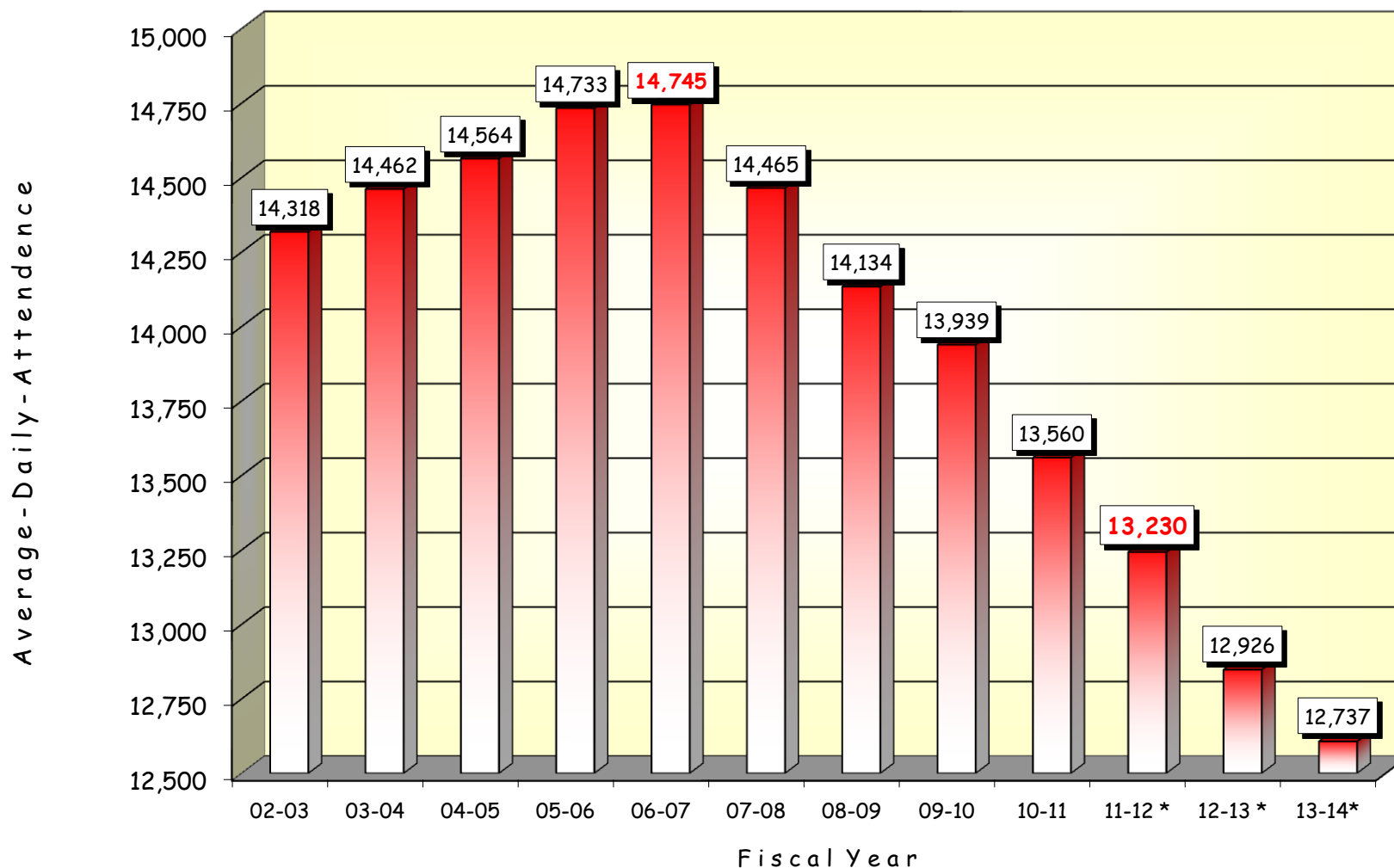
Middle

High



Historical ADA Trends

Section IV

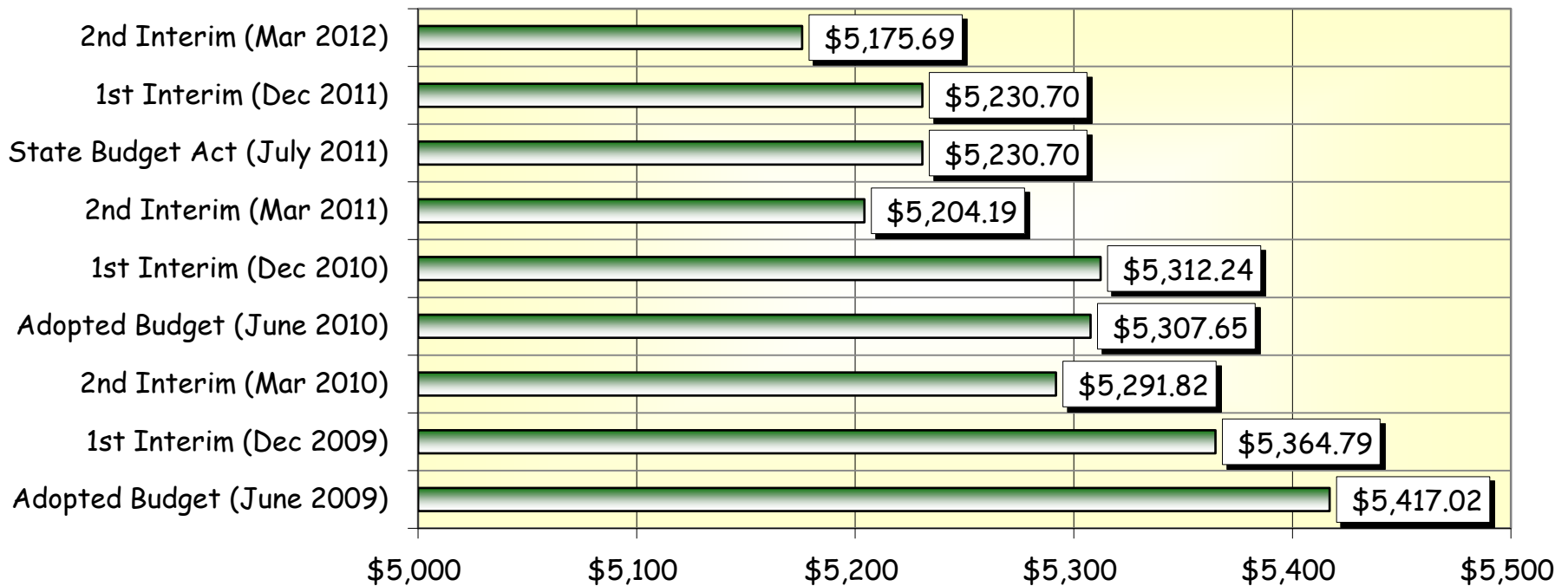


Student enrollment decline (over 1,515/ADA) x \$5,176/ADA = \$7.8 million



Financial Analysis: Base Revenue Limit Trends for 11-12

Section IV



\$241.33 drop in per-student-funding for 11-12 = \$3.2 million

District Reserves

- Unrestricted

- Beg Balance
\$16.0 million

- Projected Ending Balance
\$18.0 million

- Restricted

- Beg Balance
\$2.0 million

- Projected Ending Balance
\$1.0 million

Reserve Requirements:

3% = \$3.3 million

\$91 thousand for Revolving Cash/Inventory

\$3.7 million for Restoring Bargaining Agreements

Uncommitted Funds \$10.9 million



Multi-Year Projections 2012-2013

Section VI

Same as 2011-12, except for following revisions

- Revenues
 - BRL Funded @ .77 cents on the dollar
 - 198 Decline in Student Enrollment
 - COLA
 - 3.17% or \$207/ADA
 - One-time Funding
 - Federal Stimulus
 - Mandated Costs
 - Special Education
- Expenditures
 - Reduce Certificated Staffing by 8
 - Restore Employee Concessions
 - Additional Program Encroachments
 - Add'l Operating Costs



Multi-Year Projections 2013-2014

Section VI

Same as 2012-13, except for following revisions

• Revenues

- BRL Funded @ .77 cents on the dollar
- 301 Decline in Student Enrollment
- COLA Funding
 - 2.4% or \$161/ADA
- Update Lottery and CSR Funding for enrollment decline

• Expenditures

- Reduce Certificated Staffing by 12
- Additional Program Encroachments
- Regular Operating Costs

Multi-Year Budget Projections

**Unrestricted Reserves will drop
by \$6.3 million or 58% over two years**

	Second Interim 2011-2012	Projected 2012-2013	Projected 2013-2014
Beginning Fund Balance	\$ 17,920,915	\$ 19,013,744	\$ 13,842,355
Audit Adjustment/Restatement	\$ -	\$ -	\$ -
Revised Fund Balance	\$ 17,920,915	\$ 19,013,744	\$ 13,842,355
Annual Revenues	\$ 111,907,941	\$ 106,628,143	\$ 105,224,483
Annual Expenditures (rounded to nearest dollar)	\$ 110,815,112	\$ 115,499,532	\$ 114,405,721
Budget Stabilization Plan		(\$ 3,700,000)	(\$ 3,700,000)
Revised Expenditures (rounded to nearest dollar)	\$ 110,815,112	\$ 111,799,532	\$ 110,705,721
Changes in Fund Balance	\$ 1,092,828	\$ (5,171,389)	\$ (5,481,238)
I. Projected Ending Fund Balance	\$ 19,013,744	\$ 13,842,355	\$ 8,361,116
II. Unavailable Reserves:	\$ 1,095,240	\$ 441,737	\$ 441,737
1. Cash Accounts and Inventory	\$ 91,737	\$ 91,737	\$ 91,737
2. Restricted Program Balances	\$ 1,003,503	\$ 350,000	\$ 350,000
III. Committed Funds	\$ 3,700,000	Budgeted	Budgeted
IV. Total Unrestricted Fund Balance	\$ 14,218,504	\$ 13,400,618	\$ 7,919,379
V. Reserve for Economic Uncertainty (3%)	\$ 3,324,453	\$ 3,353,986	\$ 3,321,172
VI. Available Reserves (Unrestricted)	\$ 10,894,051	\$ 10,046,632	\$ 4,598,207
VII. Available Reserves (Unrestricted Fund)	9.83%	8.99%	4.15%



State's Cash Payment Schedule for 2011-12

Months	Education Code (Theory)		State Budget Act (Actual)	
	Payments	YTD	Payments	YTD
July 2011	5.00%	5.00%	0.00%	0.00%
August 2011	5.00%	10.00%	0.00%	0.00%
September 2011	9.00%	19.00%	11.70%	11.70%
October 2011	9.00%	28.00%	0.00%	11.70%
November 2011	9.00%	37.00%	9.00%	20.70%
December 2011	9.00%	46.00%	9.00%	29.70%
January 2012	9.00%	55.00%	25.30%	55.00%
February 2012	9.00%	64.00%	0.50%	55.50%
March 2012	9.00%	73.00%	0.00%	55.50%
April 2012	9.00%	82.00%	4.60%	60.10%
May 2012	9.00%	91.00%	1.50%	61.60%
June 2012	9.00%	100.00%	0.00%	61.60%
July 2012			22.60%	84.20%
August 2012			15.80%	100.00%
	100.00%		100.00%	



Weighted Pupil Funding Model

Now

- Proposition 98 Funding Model
- Allocations based on ADA
- Categorical Funding
 - Site Based Decisions
 - Criteria based on needs
- Tier III Transfers
 - Tier III \$5.5 million in transfers

New Weighted Pupil Funding Model

- Gradually Implemented over 6 years starting in 2012-2013
- No specifics on financial impact to districts
- Zero Sum Game



Are we really going to be better off?



Sections VII and VIII

- Budget Reports
 - Detailed List of Revenues & Expenditures
- State Forms
 - SACS Reports



Potential Factors Impacting Budget Projections

- State of World Economy
 - Status of Financial Markets
- Stability of Federal and State's Government
- Upcoming Presidential Election
- Changes in Unemployment Rate and Housing Market
- Consumer Confidence
- More Reductions in State Funding
 - 2012-13 COLA = \$2 million
 - Higher level of enrollment decline
 - Tier III Flexibility Transfers Sunsetting
 - Higher Cost of Doing Business
 - General Fund Contributions
 - Unemployment Insurance
 - Health Benefits
 - Utilities



Next Steps....Second Interim Report

- District needs to take formal action on adopting Second Interim Report
- Recommend approving the report as submitted with a Positive Certification
- Finalize Budget Stabilization Plan that ensures maintaining a 3% Reserve Requirement
 - Current projections show 2013-14 @ 7.2%
- Submit reports to LACOE



Board Member comments and questions...

