



“Creating Extraordinary Futures!”

Covina-Valley Unified School District

First Interim Report
Board of Education Meeting
December 17, 2012

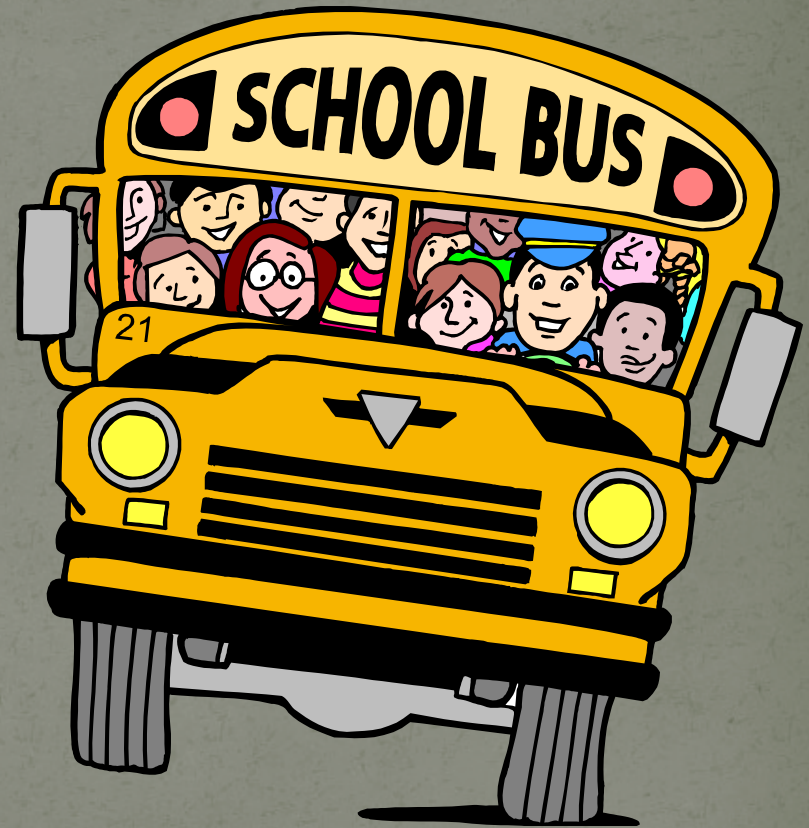
Presenters

Dr. Catherine Nichols,
Superintendent

David A. Rivera,
Chief Business Officer

Mary Perea,
Director of Fiscal

Manuel Correa,
Assistant Director of Fiscal



Report Content

Sections

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

Sections

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

First 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 (2013/14 to 2014/15)
- 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 Adopted Budget Report

First 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 and 1.2

Revenue Considerations: Base Revenue Limit

Factors	2011-12	2012-13
BRL/ADA	\$6,367.18	\$6,510.18
RL COLA	2.24% or \$143	3.24% or \$212
Additional ADA Adjustment	\$8.48/ADA	\$8.76/ADA
Subtotal (Before Deficit)	\$6,518.66	\$6,730.94
Deficit Factor	-20.602% or (\$1,342.97)	-22.272% or (\$1,499.11)
Net Base Revenue Limit	\$5,175.69	\$5,231.82
Change in per-pupil-funding	(\$54.56)/ADA	\$56.13/ADA

Projected revenue is \$68.4 million, of which \$600 thousand is related to one-time prior year adjustments. Net funding change over the prior year is \$500 thousand.

Revenue Considerations: TIER III - Flexibility Transfers

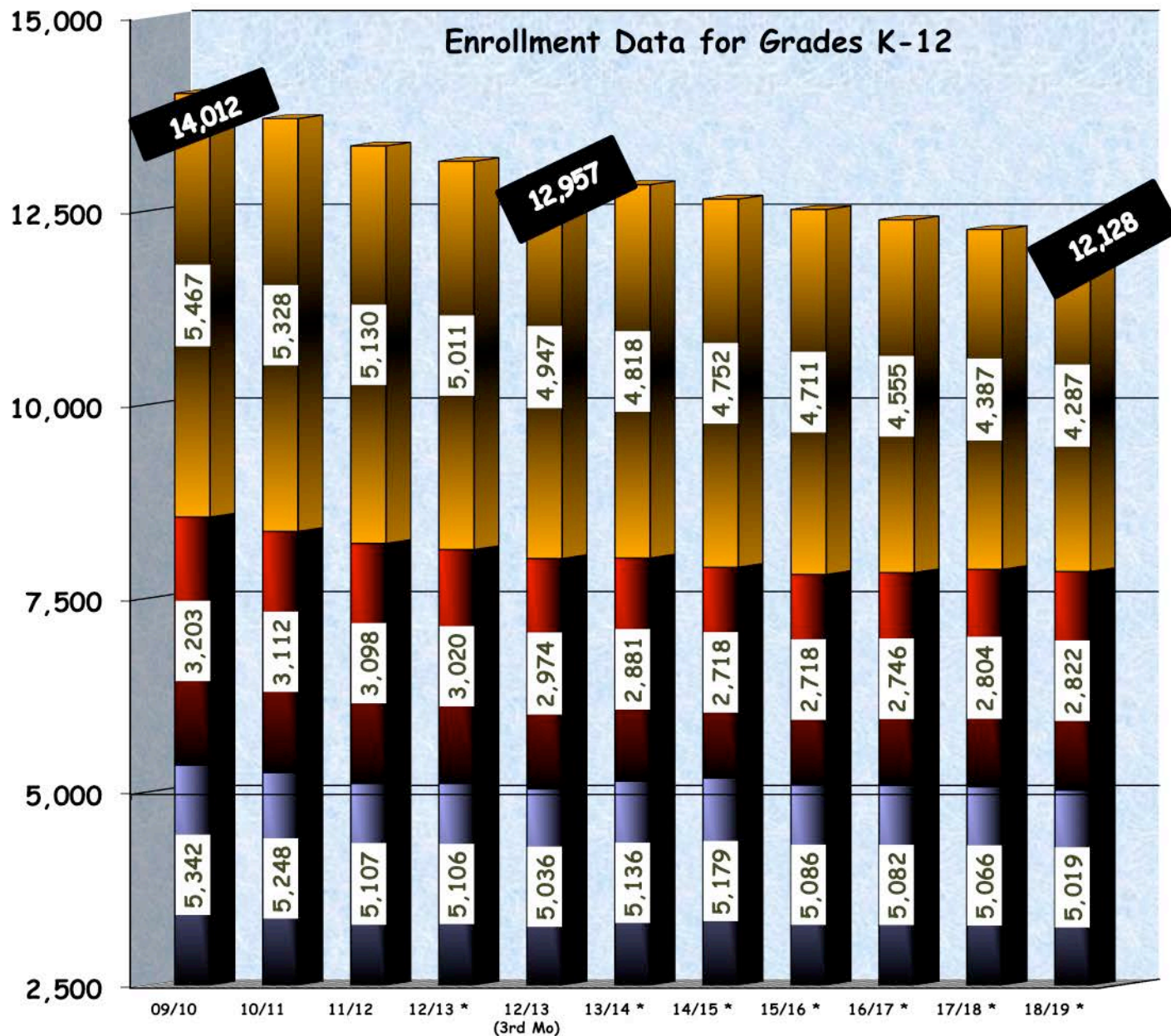
Resource	Program	Funding	Transfers
06258	Physical Education Grant	\$ 88,053	\$ 88,053
06350	ROP Program	\$ 885,771	\$ -
06405	School Safety	\$ 215,248	\$ 103,145
07055	CAHSEE	\$ 144,046	\$ 144,046
07080	School Counseling	\$ 453,197	\$ -
07140	GATE	\$ 94,821	\$ 74,821
07156	Instructional Materials Fund	\$ 809,148	\$ 300,000
07271	PAR	\$ 53,198	\$ 20,751
07294	Math and Reading	\$ 103,214	\$ 103,214
07390	Pupil Retention	\$ 41,518	\$ 41,518
07392	Teacher Credentialing	\$ 23,945	\$ -
07393	Professional Development Block Grant	\$ 548,904	\$ 500,000
07394	Targeted Instructional Improvement	\$ 860,713	\$ 480,713
07395	School and Library Improvement Grant	\$ 737,046	\$ 657,099
06760	Arts and Music Block Grant	\$ 195,889	\$ 150,889
07325	Administrator Training Program	\$ 16,972	\$ -
	Subtotal	\$ 5,271,683	\$ 2,664,249
	Other Funds		
	Adult Education (Transfer)		\$ 2,000,000
06285	Community-Based English Tutoring (CBET)	\$ 51,086	\$ -
06092	Cal-Safe	\$ 165,230	\$ -
	Deferred Maintenance (Transfer)	\$ -	\$ 613,124
	Total	\$ 5,487,999	\$ 5,277,373

Expenditure Considerations

- Restoration of salary and benefits in accordance with negotiated agreements
- Updated operating costs based on prior year data
- Contributions from General Fund
 - \$5.8 million to Special Ed

Financial Analysis

- Noteworthy Trends for the District
 - Student Enrollment
 - Changes in Average Daily Attendance
 - Premiums for Health Benefits

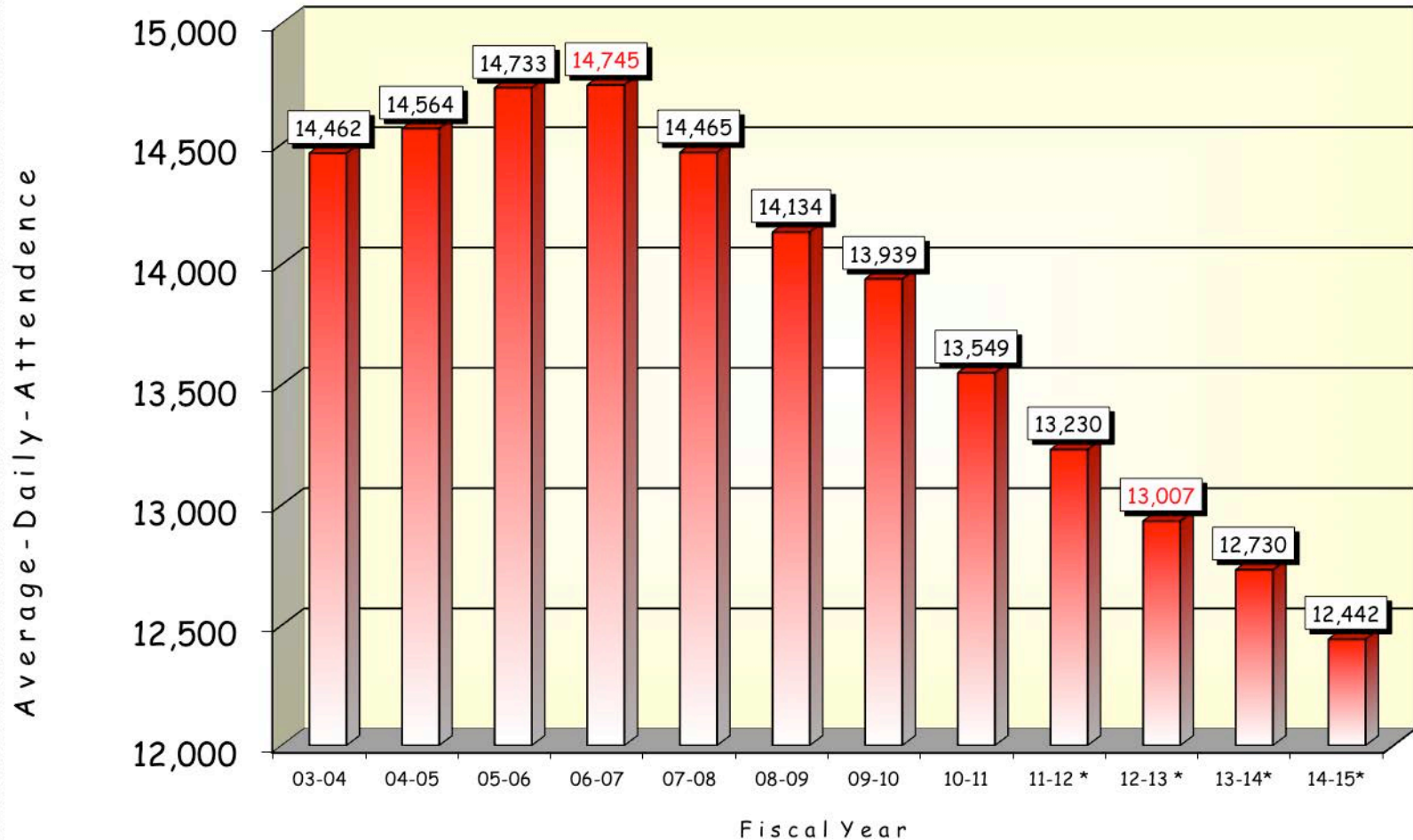


■ Elementary

■ Middle

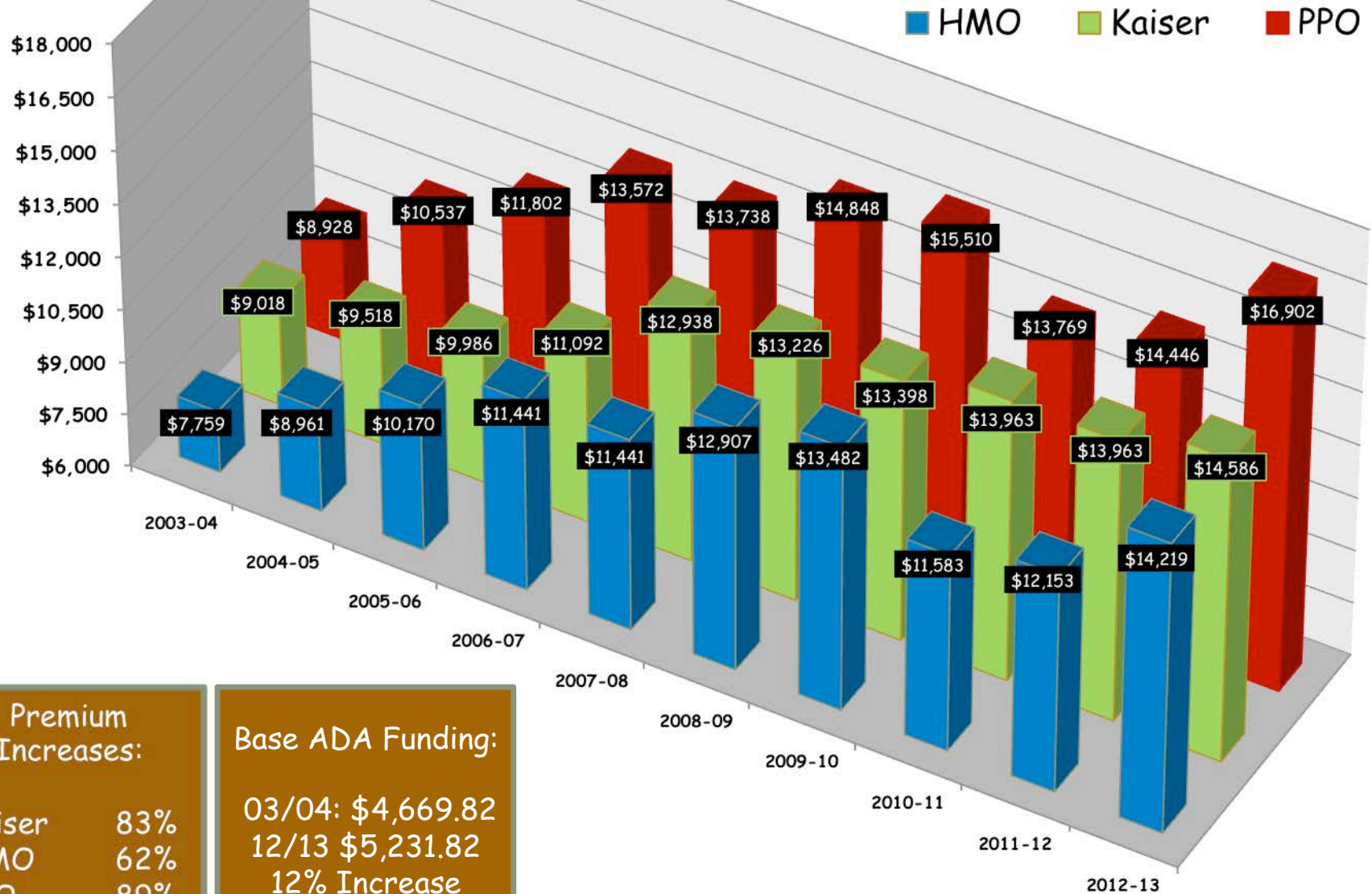
■ High

Covina-Valley Unified School District Average-Daily-Attendance



Student enrollment decline (over 1,738/ADA) × \$5,231/ADA = \$9.1 million

Historical Medical Insurance Premiums For Family Plans

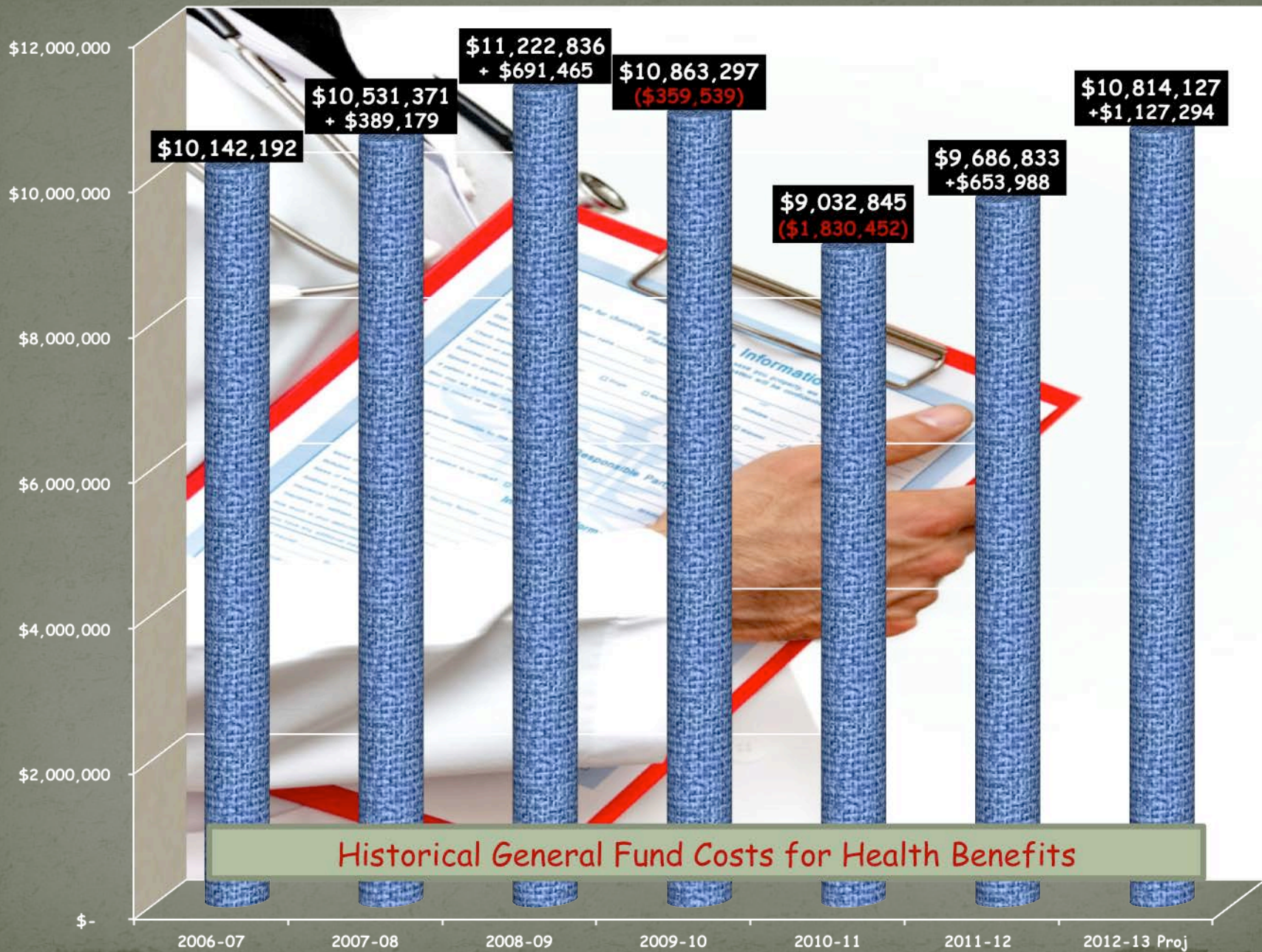


Premium Increases:

Kaiser	83%
HMO	62%
PPO	89%

Base ADA Funding:

03/04: \$4,669.82
 12/13 \$5,231.82
 12% Increase



District Reserves

- Unrestricted
 - Beg Balance \$20.5 million
 - Projected Ending Balance \$15.61 million
 - Restricted
 - Beg Balance \$2.43 million
 - Projected Ending Balance \$2.15 million
- 

Reserve Requirements:

3% = \$3.45 million

\$91 thousand for Revolving Cash/Inventory

Uncommitted Funds \$11.3 million

Multi-Year Projections 2013-2014

Same as 2012-13, except for following revisions

- Revenues
 - BRL Funded @ 77.73 cents on the dollar
 - 277 Decline in Student Enrollment
 - COLA
 - 2.00% or \$135/ADA
 - Adjustments for one-time funds
 - Mandated Costs
 - Micro-Soft Voucher
 - Lottery 11-12 Funding
- Expenditures
 - Reduce Certificated Staffing by 8
 - Step, Scale and Longevity
 - Early Retirement Program (07-08)
 - Additional Program Encroachments
 - Add'l Operating Costs
 - Election Costs
 - Health and Welfare Benefits (Same as 12/13)
 - Contributions are subject to negotiations

Multi-Year Projections 2014-2015

Section VI

Same as 2013-14, except for following revisions

- Revenues
 - BRL Funded @ 77.73 cents on the dollar
 - 288 Decline in Student Enrollment
 - COLA Funding
 - 2.3% or \$158/ADA
 - Update Lottery and CSR Funding for enrollment decline
- Expenditures
 - Reduce Certificated Staffing by 9
 - Additional Program Encroachments
 - Regular Operating Costs
 - Health and Welfare Benefits
 - Contributions are subject to negotiations

Budget Stabilization Plan

	2013-14	2014-15	2015-16	Total
<u>Revenue Enhancements</u>				
Item #1: Increase ADA Percentages (.25%)	\$ 177,679	\$ 350,132	\$ 700,264	\$ 1,228,075
Item #2: Increase Revenues from Use of Facilities	\$ 100,000	\$ 100,000	\$ 100,000	\$ 300,000
Item #3: Transfer from Adult Education (Fund 35)	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Item #4: Transfer from Deferred Maint (Fund 35)	\$ 750,000	\$ -	\$ -	\$ 750,000
Item #5: Increase level of Tier III Transfers	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 3,000,000
Subtotal	\$ 3,027,679	\$ 1,450,132	\$ 1,800,264	\$ 6,278,075
<u>Expenditure Reductions</u>				
Item #1: Personnel Staffing & Negotiated Concessions	\$ 261,942	\$ 261,942	\$ 261,942	\$ 785,826
Item #2: General Operating Costs	\$ 195,000	\$ 195,000	\$ 195,000	\$ 585,000
Item #3: Transportation Costs (FCMAT Report)	\$ 500,000	\$ 500,000	\$ 500,000	\$ 1,500,000
Item #4: Shift Costs to Categorical Programs	\$ 100,000	\$ 100,000	\$ 100,000	\$ 300,000
	\$ 1,056,942	\$ 1,056,942	\$ 1,056,942	\$ 3,170,826
Subtotal	\$ 4,084,621	\$ 2,507,074	\$ 2,857,206	\$ 9,448,901

Multi-Year Budget Projections

(Includes \$4.0 million (13-14) and \$2.5 million (14-15) in Budget Reductions)

	First Interim Budget 2012-13	Projected 2013-14	Projected 2014-15
Beginning Fund Balance	\$ 22,972,062	\$ 17,760,791	\$ 16,739,867
Audit Adjustment/Restatement	\$ -	\$ -	\$ -
Revised Fund Balance	\$ 22,972,062	\$ 17,760,791	\$ 16,739,867
Annual Revenues (includes other financing sources)	\$ 107,948,380	\$ 107,169,024	\$ 106,655,549
Annual Expenditures (includes other financing sources)	\$ 113,159,651	\$ 108,189,948	\$ 110,097,302
Changes in Fund Balance	\$ (5,211,271)	\$ (1,020,924)	\$ (3,441,753)
Projected Ending Fund Balance	\$ 17,760,791	\$ 16,739,867	\$ 13,298,114
I. Unavailable Reserves:	\$ 3,025,992	\$ 3,025,992	\$ 3,025,992
• Nonspendable:			
• Revolving Cash	\$ 35,000	\$ 35,000	\$ 35,000
• Warehouse Inventory	\$ 56,737	\$ 56,737	\$ 56,737
• Restricted Program Balances	\$ 2,152,937	\$ 2,152,937	\$ 2,152,937
• Assigned	\$ 781,318	\$ 781,318	\$ 781,318
II. Total Unrestricted Fund Balance	\$ 14,734,799	\$ 13,713,875	\$ 10,272,122
• Reserve for Economic Uncertainty (3%)	\$ 3,446,958	\$ 3,375,299	\$ 3,432,519
Available Reserves (Unrestricted)	\$ 11,287,841	\$ 10,338,576	\$ 6,839,603
III. Available Reserves (Unrestricted Fund)	9.82%	9.19%	5.98%

SELPA Administrative Unit (Fund 1.1)

State Forms consolidate General Fund (1.0) and SELPA Funds (1.1)	First Interim Budget	Projected	Projected
	2012-13	2013-14	2014-15
Beginning Fund Balance	\$ -	\$ 2,581,125	\$ 2,581,125
Audit Adjustment/Restatement	\$ -	\$ -	\$ -
Revised Fund Balance	\$ -	\$ 2,581,125	\$ 2,581,125
Annual Revenues (includes other financing sources)	\$ 4,319,861	\$ 4,319,861	\$ 4,319,861
Annual Expenditures (includes other financing sources)	\$ 1,738,736	\$ 4,319,861	\$ 4,319,861
Changes in Fund Balance	\$ 2,581,125	\$ -	\$ -
Projected Ending Fund Balance	\$ 2,581,125	\$ 2,581,125	\$ 2,581,125
Restricted Fund Balance	\$ 2,581,125	\$ 2,581,125	\$ 2,581,125

**\$18.4
million in
temporary
loans**

State's Cash Payment Schedule for 2012-13

**EPA Payment
of \$14.7
million (June)**

Months	Education Code (Theory)		State Budget Act (Actual)	
	Payments	YTD	Payments	YTD
July 2012	5.00%	5.00%	0.00%	0.00%
August 2012	5.00%	10.00%	2.02%	2.02%
September 2012	9.00%	19.00%	12.73%	14.75%
October 2012	9.00%	28.00%	4.86%	19.61%
November 2012	9.00%	37.00%	9.00%	28.61%
December 2012	9.00%	46.00%	9.00%	37.61%
January 2013	9.00%	55.00%	17.39%	55.00%
February 2013	9.00%	64.00%	4.50%	59.50%
March 2013	9.00%	73.00%	0.00%	59.50%
April 2013	9.00%	82.00%	3.78%	63.28%
May 2013	9.00%	91.00%	0.00%	63.28%
June 2013	9.00%	100.00%	10.22%	73.50%
July 2013			13.78%	87.28%
August 2013			12.72%	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 7 years starting in 2013-2014
- No specifics on financial impact to districts
- Zero Sum Game



Are we really going to be better off?

Potential Factors Impacting Budget Projections

- State of World Economy
 - Status of Financial Markets
- Stability of Federal and State's Government
 - "Fiscal Cliff" - Federal Level
- Changes in Unemployment Rate and Housing Market
- Consumer Confidence
- Changes in State Funding
 - Higher level of enrollment decline
- Tier III Flexibility Transfers Sunsetting
- Higher Cost of Doing Business
 - General Fund Contributions
 - Unemployment Insurance
 - Utilities

Potential Good News.....

LAO Budget Projections

- Potential \$4 billion increase in funding starting 2013-14
- State Surplus may allow for several billion more for one-time purposes

LACOE Advisory

- 0% for 13-14
- No-COLA Funding for Five Continuous Years
- Waiting for Governor's Proposed 13-14 Budget in January

Projections from SSC

(Comments on LAO Projections)

Speculations on Funding

- \$4.2 billion in ongoing funding
- What does that mean?
 - Combination of Factors...
 - 2% Funded COLA
 - Included in First Interim Projections
 - 2% Buy-down of Deficit Factor
 - 2% Buy-down of Deferrals

Risk Factors

- State Controller
 - Projections are off by 11%
- UCLA's Forecast
 - Shows Slower Growth Trends
- Dept of Finance
 - Will be published with the Governor's Budget
 - ????

Sections VII and VIII

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

Next Steps....First Interim Report

- District needs to take formal action on adopting First Interim Report
- Recommend approving the report as submitted with a Positive Certification
- Finalize Budget Stabilization Plan that ensures maintaining a 3% Reserve Requirement
- Submit reports to LACOE

Board Member comments and questions...