



“Creating Extraordinary Futures!”

Covina-Valley Unified School District

Second Interim Report
Board of Education Meeting
March 18, 2013

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

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 (2013-14 to 2014-15)
- Timelines
 - First Interim is through October 31st and must be authorized by December 15
 - Second Interim is through January 31st and must be authorized by March 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 two 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 attributed to the 2011-12 and 2010-11 attendance reports.

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	\$ 30,395	\$ -
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	\$ 5,278,133	\$ 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	\$ 5,494,449	\$ 5,277,373

Expenditure Considerations

- Restoration of Salary and Benefits in Accordance with Negotiated Agreements
- Updated operating costs based on actuals to date
 - Utilities - Water costs projected to increase \$150 thousand

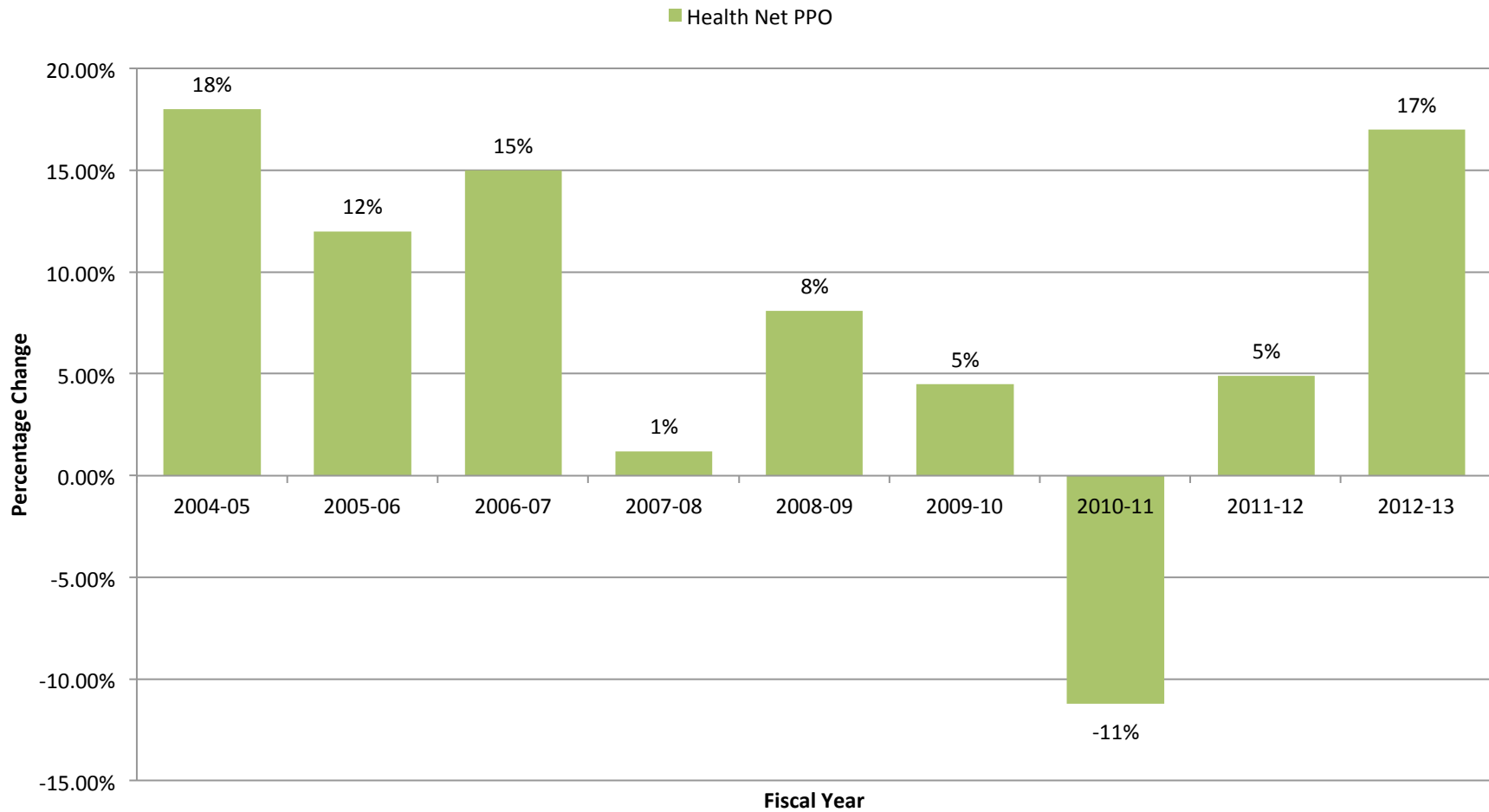
Expenditure Considerations

- Contributions from General Fund
 - \$6.1 million - Special Ed
 - \$390 thousand - Special Ed Transportation
 - \$107 thousand - Regular Home-to-School Transportation

Expenditure Considerations

- Medical Premium Trends
 - Health Net (PPO)
 - Health Net (HMO)
 - Kaiser
- Health and Welfare Benefit Trends

PERCENTAGE CHANGE IN MEDICAL PREMIUM (Family Coverage Plan)

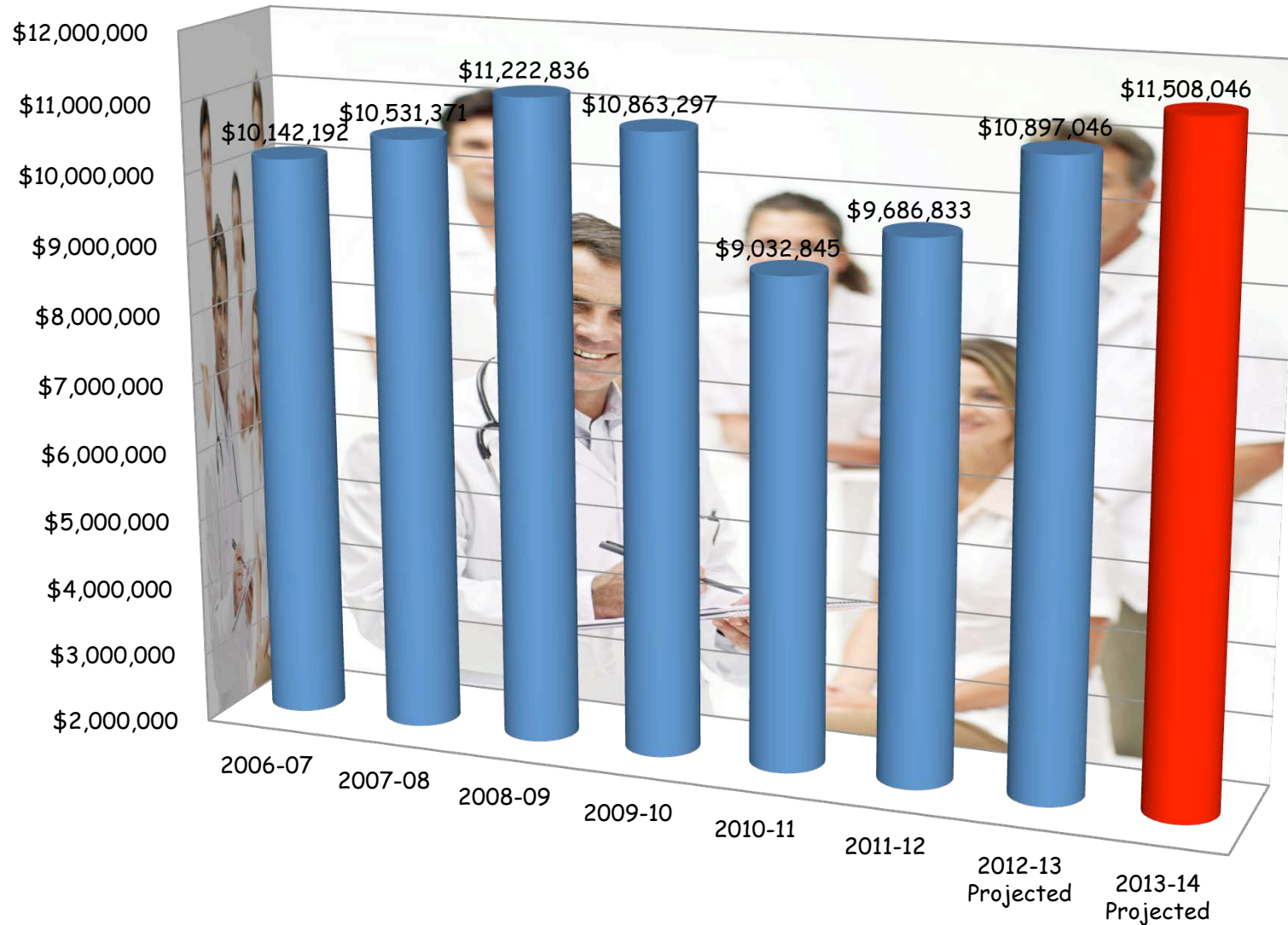


Family Coverage Plans:

Health Net PPO - 89.32%

Health Net HMO - 83.25%

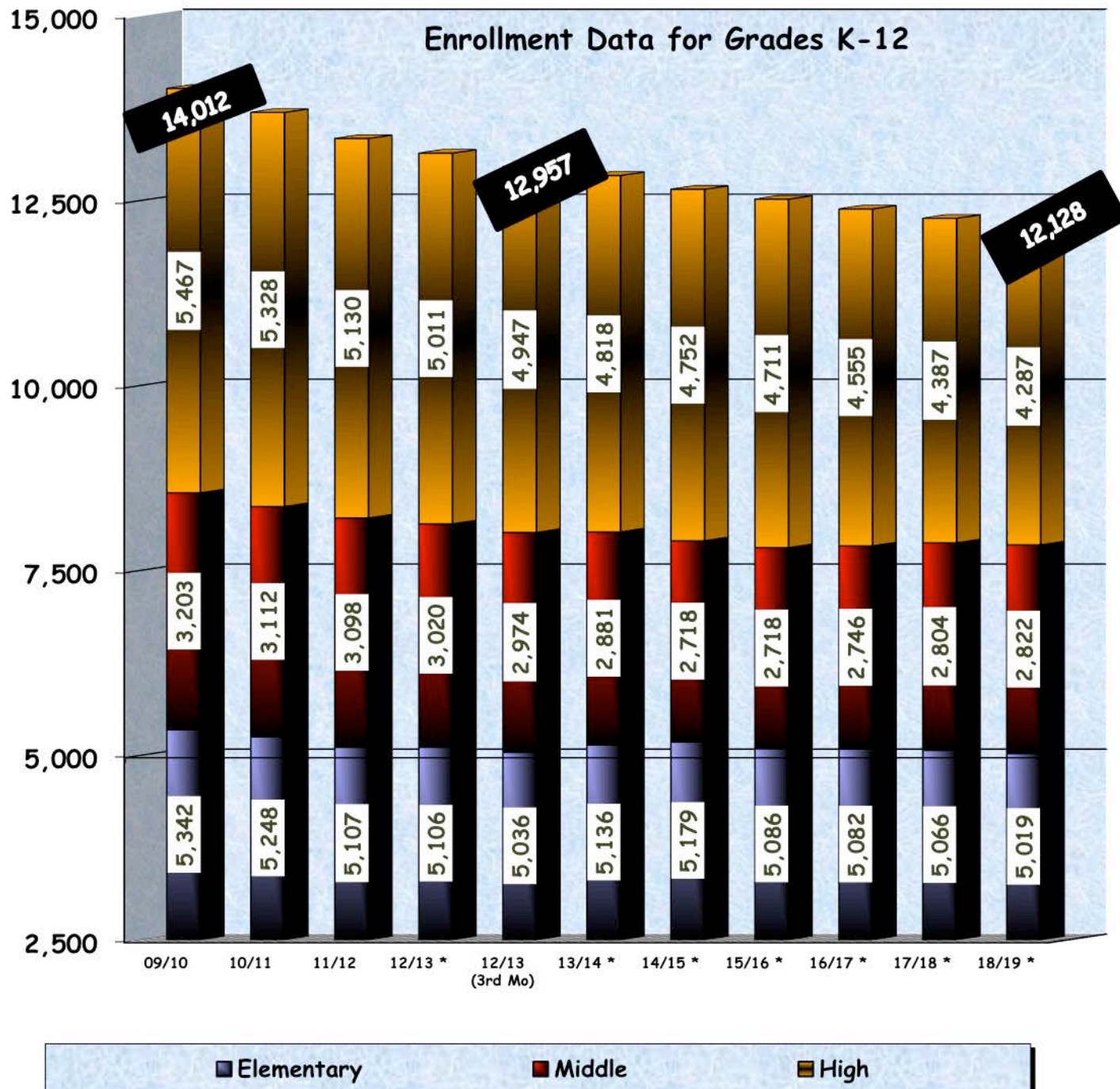
Kaiser - 61.74%



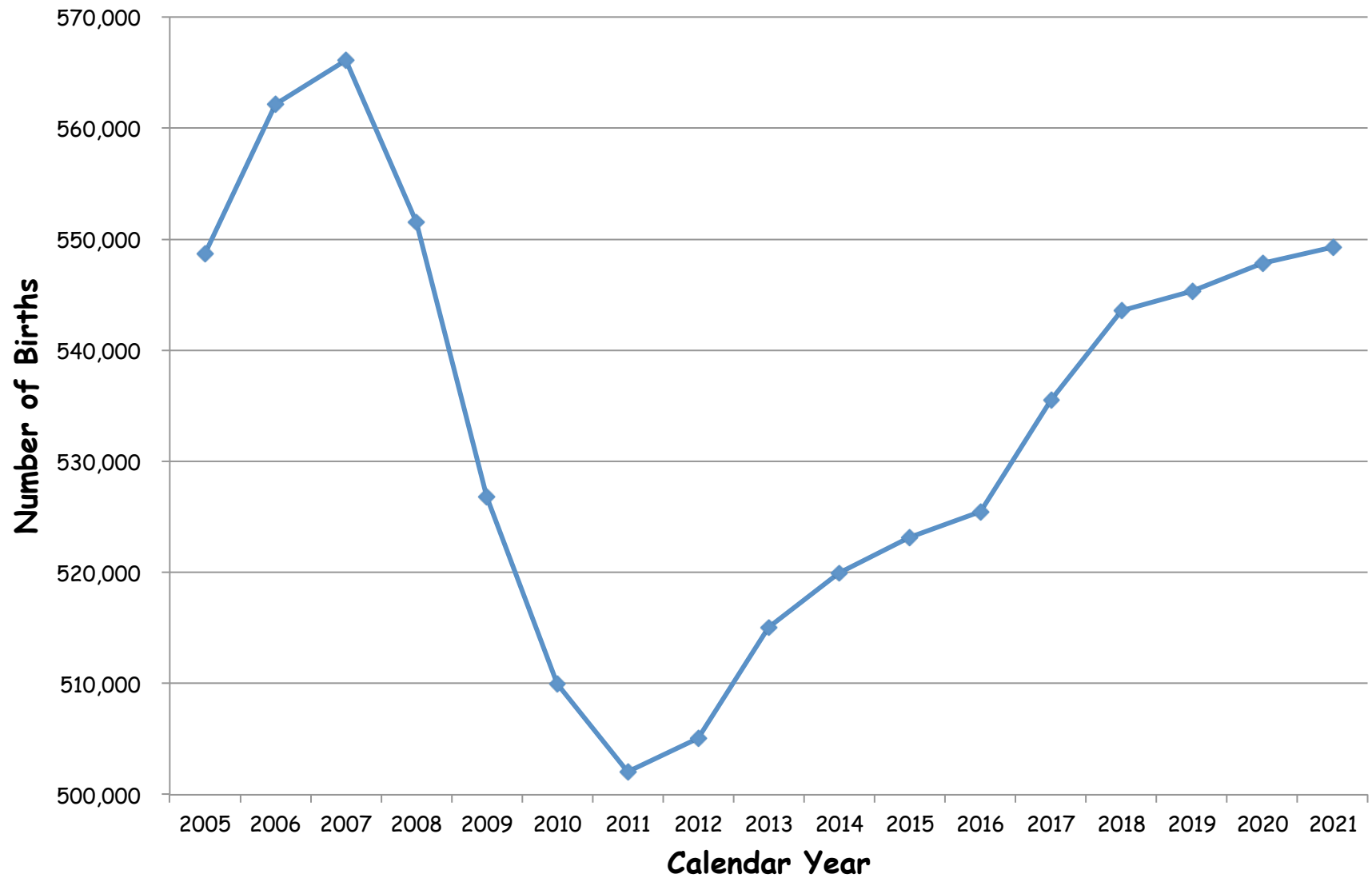
1. For 2012-13, projected costs were adjusted down by one-time Holiday Credits of \$364 thousand and the 2011-12 Health and Welfare fund balance of \$247 thousand. The 2012-13 Health and Welfare fund balance is reduced to \$12 thousand as per the 2011-12 "Budget Stabilization Plan."
2. Added to the chart under 2013-14, is the baseline costs prior to any new rate increases.

Financial Analysis

- Noteworthy Trends for the District
 - Student Enrollment
 - Birth Rates
 - State of California
 - County of Los Angeles
 - Covina-Valley USD
 - Changes in Average Daily Attendance

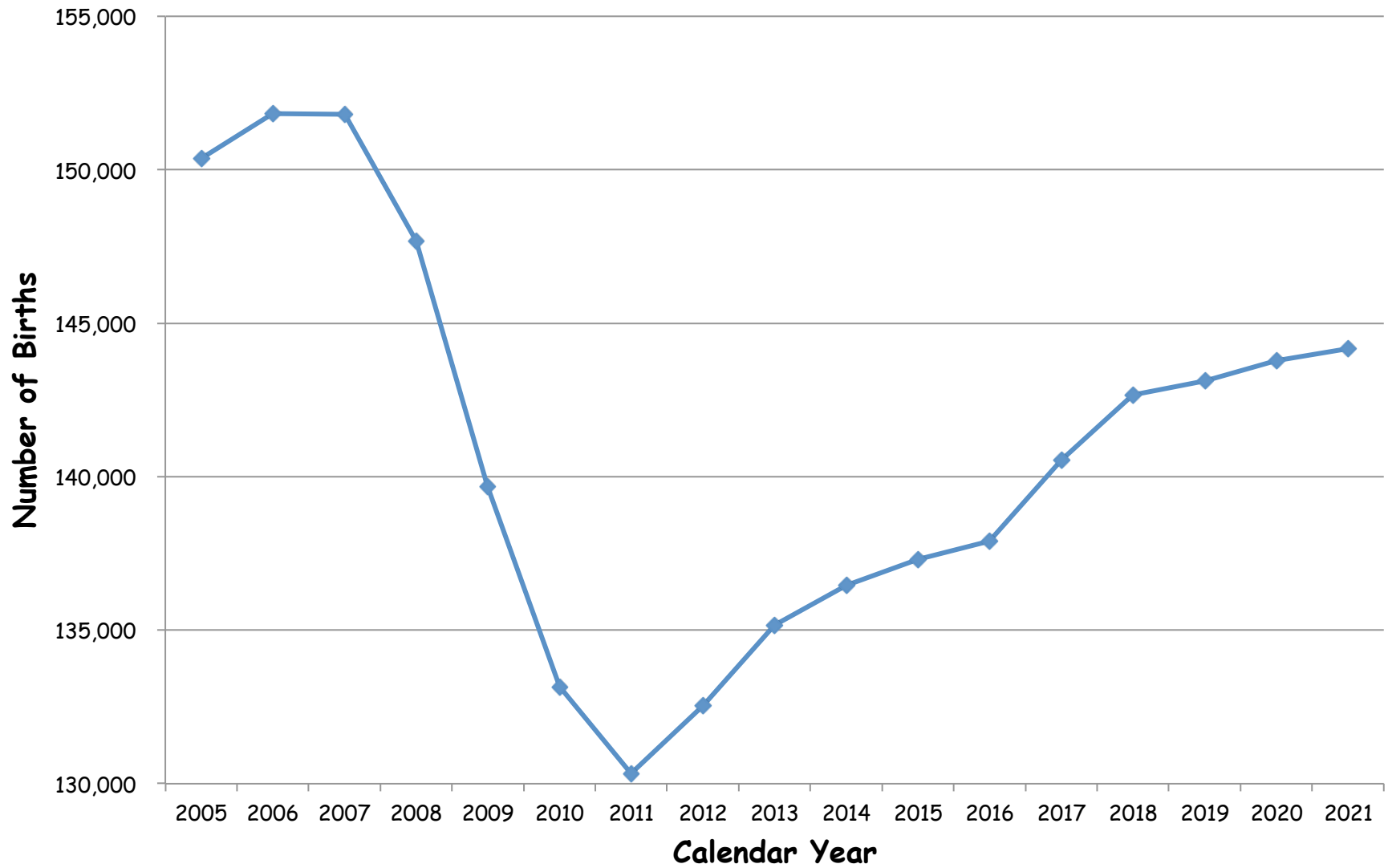


STATE OF CALIFORNIA BIRTHS



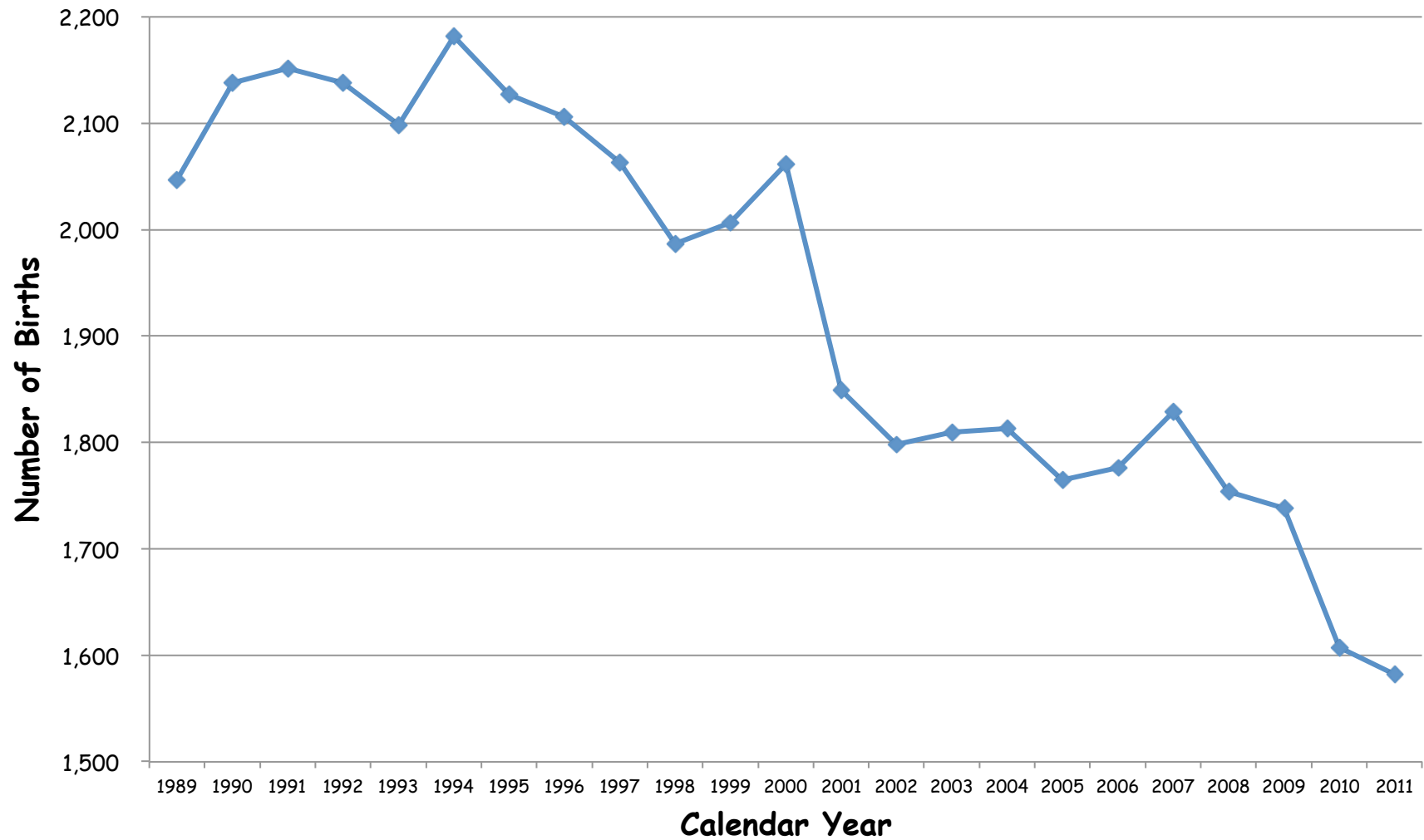
Information provided by Davis Demographics and Planning

COUNTY OF LOS ANGELES BIRTHS



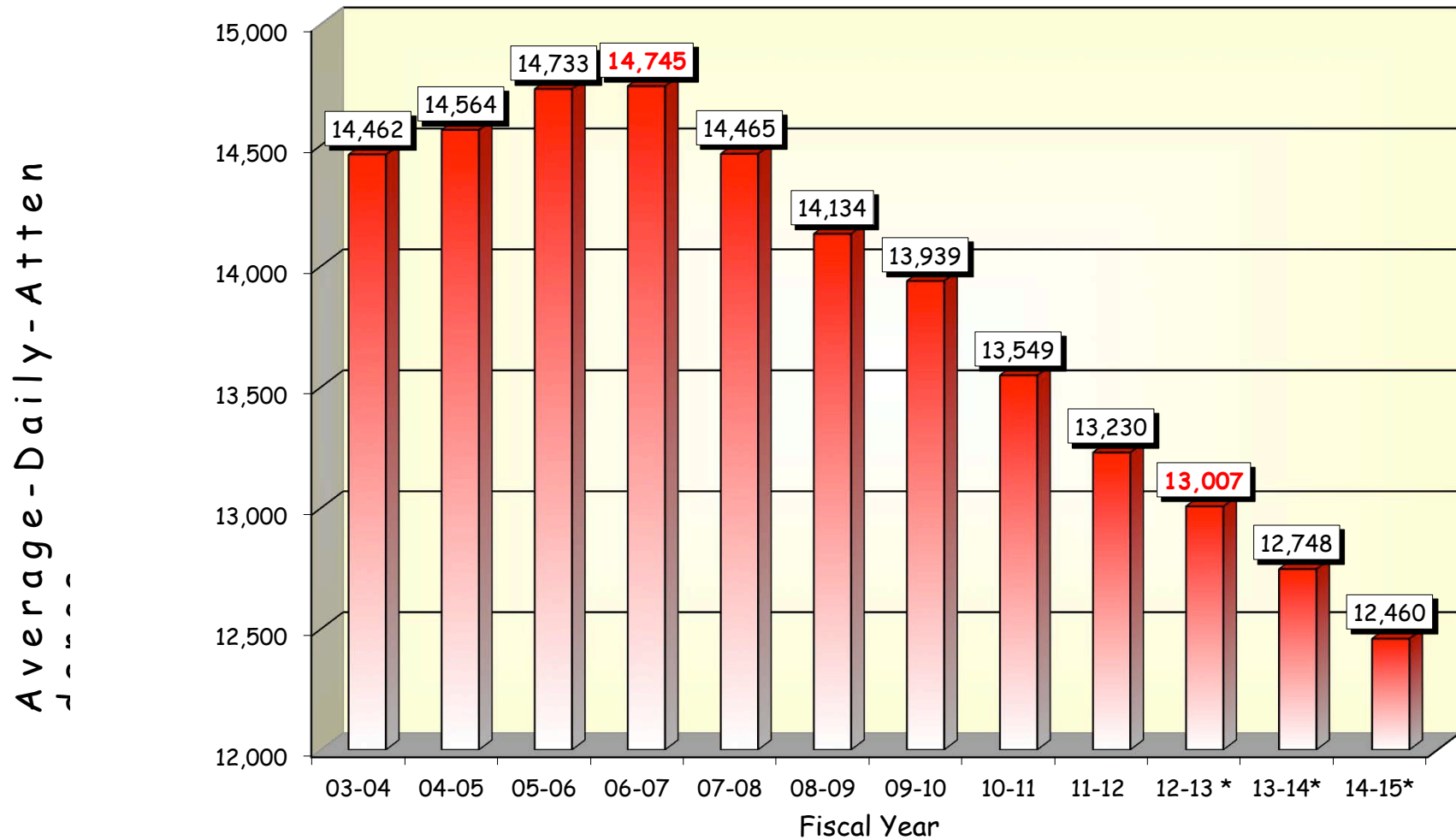
Information provided by Davis Demographics and Planning

COVINA-VALLEY BIRTHS



1. Information provided by Davis Demographics and Planning
2. Anticipate birth rates for 2012 and forward to be similar to projections for the County of Los Angeles
3. 48% of births have historically attended Covina-Valley Schools

Covina-Valley Unified School District Average-Daily-Attendance



1. Student enrollment decline (over 1,738/ADA) \times \$5,231/ADA = \$9.1 million
2. 2012-13 ADA reflects one-time adjustments for 2011-12 and 2010-11 totaling 119 (74 + 45)

Local Control Funding Formula (LCFF)

Now

- Proposition 98 Funding Model
- Allocations based on ADA
- Categorical Funding
 - Site Based Decisions
 - Criteria based on needs
- Tier III Transfers
 - Tier III \$5.3 million in transfers

New LCFF Model

(At the time this was printed)

- Base Grant
 - Target \$6,816 per ADA
 - Adjustments per grade spans
- Supplemental Funding
 - 35% increase for English Learners and low income students
- Additional Funding
 - \$710 per K-3 ADA for CSR
 - \$215 per 9-12 ADA for CTE
- Local Control Accountability Plan
- 7 year phase-in starting 2013-14
- Projected 2013-14 revenue increase
 - \$2.9 million

Governor's proposal is \$1.6 billion (approximately 10% for 2013-14)
Estimated cost for full implementation is \$15.6 billion

District Reserves

- Unrestricted
 - Beg Balance \$20.5 million
 - Projected Ending Balance \$15.1 million
 - Restricted
 - Beg Balance \$2.4 million
 - Projected Ending Balance \$2.4 million
(Exclusive of SELPA Fund 01.1)
- 

Reserve Requirements:

3% = \$3.5 million

\$92 thousand for Revolving Cash/Inventory

\$516 thousand Special Ed SELPA and County

Uncommitted Funds \$11.0 million

Multi-Year Projections 2013-14

Section VI

Same as 2012-13, except for following revisions

- Revenues
 - BRL Funded @ 77.73 cents on the dollar
 - 277 Decline in Student Enrollment
 - COLA
 - 1.65% or \$111/ADA
 - Adjustments for one-time funds
 - 2011-12 & 2010-11 ADA
 - Mandated Costs
 - Microsoft K-12 Voucher
 - 2011-12 Lottery Funding
 - "Budget Stabilization Plan"
- Expenditures
 - Reduce Certificated Staffing by 6
 - Step, Scale, and Longevity
 - Retired 2007-08 Early Retirement Incentive
 - Add'l Program Encroachment
 - Add'l Operating Costs
 - Election Costs
 - Health and Welfare Benefits
 - (Same as 12-13)
 - Contributions are subject to negotiations
 - "Budget Stabilization Plan"

Multi-Year Projections 2014-15

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
 - 2.2% or \$151/ADA
 - Update Lottery/CSR Funding enrollment decline
 - Other Adjustments
 - "Budget Stabilization Plan"
- Expenditures
 - Reduce Certificated Staffing by 8
 - Add'l Program Encroachment
 - Regular Operating Costs
 - Health and Welfare Benefits
 - Contributions are subject to negotiations

Cash Deferrals

- 2012-13 General Fund ending balance projected at \$17.5 million
 - (exclusive of SELPA Fund 01.1)
- 2012-13 TRAN's
 - \$8.4 million in July 2012
 - Repaid February 2013
 - \$13 million anticipated in April 2013
 - To be repaid June (from EPA funds), July & August of 2013
- District to borrow 74% of ending balance with April 2013 TRAN's

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 \$4.1 million (13-14) and \$2.5 million (14-15) in Budget Reductions)

	Second Interim Budget 2012-13	Projected 2013-14	Projected 2014-15
Beginning Fund Balance	\$ 22,972,062	\$ 17,488,882	\$ 15,226,822
Audit Adjustment/Restatement	\$ -	\$ -	\$ -
Revised Fund Balance	\$ 22,972,062	\$ 17,488,882	\$ 15,226,822
Annual Revenues (includes other financing sources)	\$ 107,987,534	\$ 109,243,115	\$ 107,263,904
Annual Expenditures (includes other financing sources)	\$ 113,470,714	\$ 111,505,175	\$ 111,994,250
Changes in Fund Balance	\$ (5,483,180)	\$ (2,262,060)	\$ (4,730,346)
Projected Ending Fund Balance	\$ 17,488,882	\$ 15,226,822	\$ 10,496,476
I. Unavailable Reserves:	\$ 3,015,777	\$ 3,015,777	\$ 3,015,777
• Nonspendable:			
• Revolving Cash	\$ 35,000	\$ 35,000	\$ 35,000
• Warehouse Inventory	\$ 56,737	\$ 56,737	\$ 56,737
• Restricted Program Balances	\$ 2,408,289	\$ 2,408,289	\$ 2,408,289
• Assigned	\$ 515,751	\$ 515,751	\$ 515,751
II. Total Unrestricted Fund Balance	\$ 14,473,105	\$ 12,211,045	\$ 7,480,699
• Reserve for Economic Uncertainty (3%)	\$ 3,457,795	\$ 3,398,829	\$ 3,413,499
Available Reserves (Unrestricted)	\$ 11,015,310	\$ 8,812,216	\$ 4,067,200
III. Available Reserves (Unrestricted Fund)	9.56%	7.78%	3.57%

SELPA Administrative Unit (Fund 01.1)

State Forms Consolidated General Fund (01.0) and SELPA Funds (01.1)	Second Interim Budget	Projected	Projected
	2012-13	2013-14	2014-15
Beginning Fund Balance	\$ -	\$ 2,339,310	\$ 2,339,310
Audit Adjustment/Restatement	\$ -	\$ -	\$ -
Revised Fund Balance	\$ -	\$ 2,339,310	\$ 2,339,310
Annual Revenues (includes other financing sources)	\$ 4,128,200	\$ 1,788,890	\$ 1,788,890
Annual Expenditures (includes other financing sources)	\$ 1,788,890	\$ 1,788,890	\$ 1,788,890
Changes in Fund Balance	\$ 2,339,310	\$ -	\$ -
Projected Ending Fund Balance	\$ 2,339,310	\$ 2,339,310	\$ 2,339,310
Restricted Fund Balance	\$ 2,339,310	\$ 2,339,310	\$ 2,339,310

Potential Factors Impacting Budget Projections

- State of World Economy
 - Status of Financial Markets
- Stability of Federal and State Government
 - "Fiscal Cliff" - Federal Level
- Changes in Unemployment Rate and Housing Market
 - Improving
- Consumer Confidence
 - On the rise
- Changes in State Funding
 - New "Local Control Funding Formula" not finalized
- Higher Level of Enrollment Decline
- Higher Cost of Doing Business
 - General Fund Contributions
 - Unemployment Insurance
 - Utilities

Sections VII and VIII

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

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
 - "Budget Stabilization Plan" incorporated within Multi-Year Projections
 - 3% minimum Reserve Requirement is met
- Submit reports to Los Angeles County Office of Education

Board Member comments and questions...