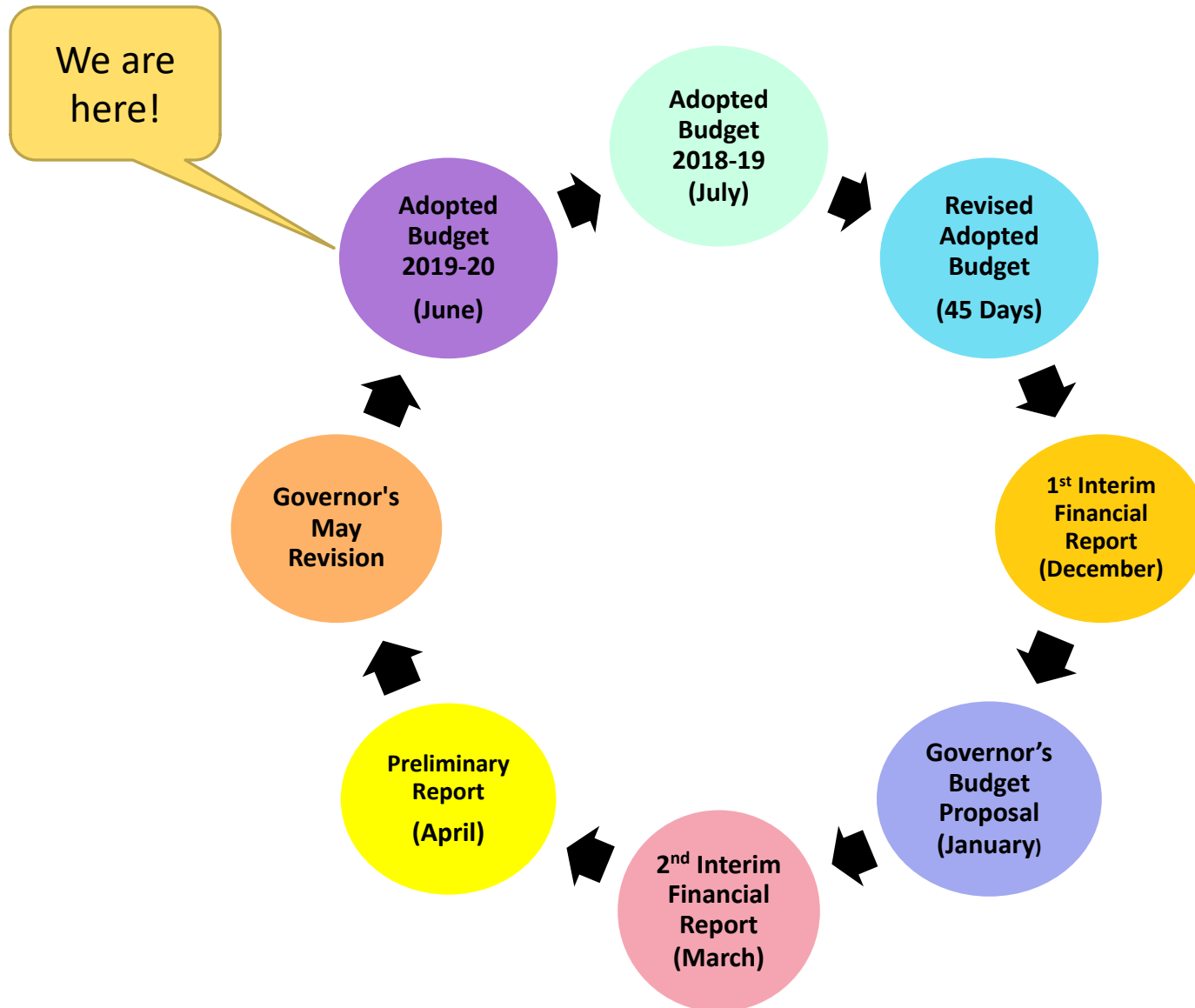


COVINA-VALLEY
UNIFIED SCHOOL DISTRICT



ADOPTED BUDGET
2019-20

Annual Budget Cycle



Legal Requirements

- Board action is required for Budget Adoption in accordance with Education Code 42127
- Board Members must authorize an Operating Budget by June 30th of each year
- No later than five days after Adoption or by July 1st, whichever occurs first, the Operating Budget must be filed with the County Superintendent of Schools

Implications for Education Funding

In keeping with his predecessor, Governor Newsom is practicing cautious optimism

- While the May Revision projects increased short-term revenues, it forecasts slower economic growth and intensified risks
- Though it stops short of predicting a recession, the May Revision acknowledges that the State needs to be prepared for the possibility of a moderate recession
 - › Could result in revenue declines of nearly \$70 billion and a budget deficit of \$40 billion over three years
- The May Revision allocates funding to pay down unfunded retirement liabilities, eliminate debts, reverse deferrals, and build budget reserves
 - › Including a deposit into the State's Rainy Day Fund of \$1.2 billion

JANUARY BUDGET VS. MAY REVISION

Item	January Budget	May Revision
LCFF Funding	\$2.023 billion	\$1.959 billion
Proposition 98 Minimum Guarantee		
2017-18	\$75.5 billion	\$75.6 billion
2018-19	\$77.9 billion	\$78.1 billion
2019-20	\$80.7 billion	\$81.1 billion
2019-20 COLA	3.46%	3.26%
One-Time Discretionary Funds for 2019-20	\$0	\$0
“Special Education” Proposal	\$390 million ongoing \$186 million one-time	\$696.2 million ongoing
CalSTRS* Proposal	\$3 billion one-time (non-Proposition 98)	\$3.15 billion one-time (non-Proposition 98)

* California State Teachers Retirement System

Covina-Valley USD 2019-20

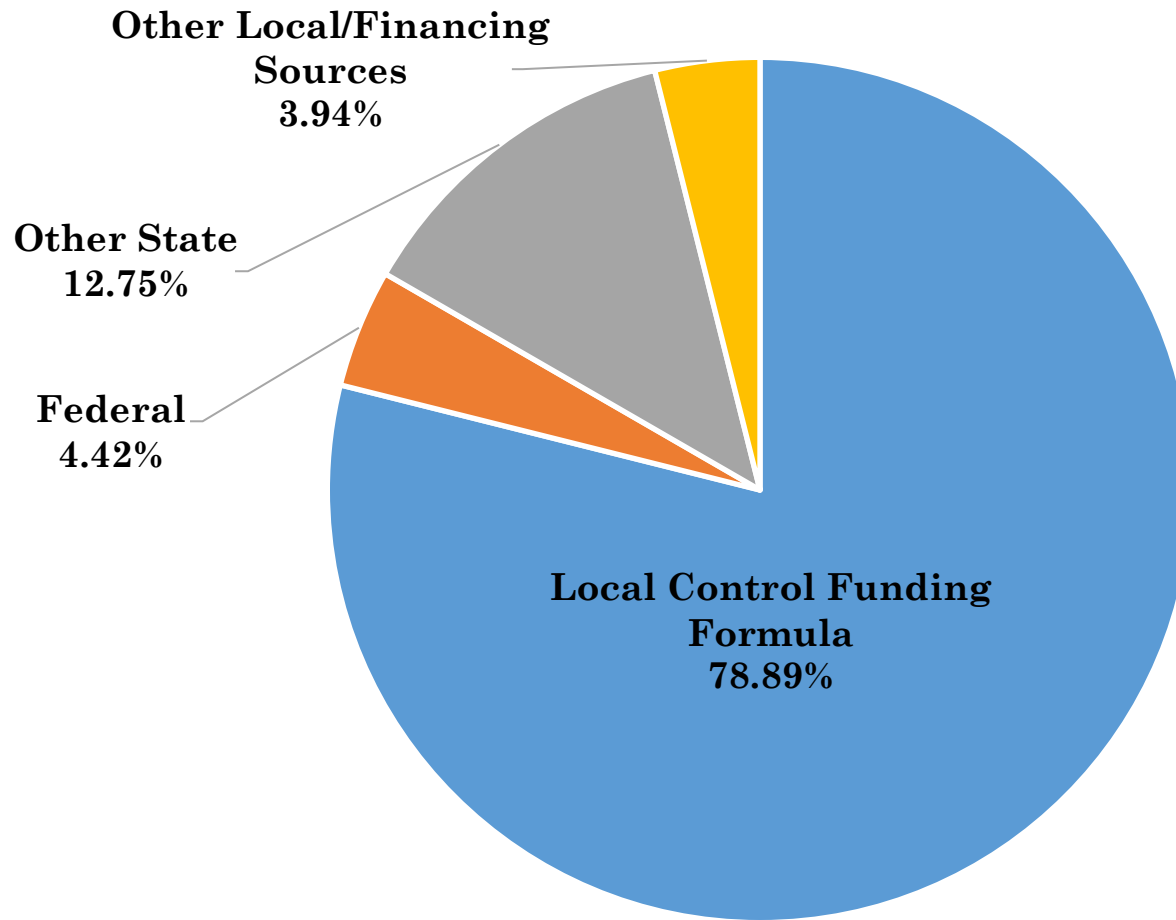
General Fund Budget Assumptions

- Local Control Funding Formula
 - › LCFF at full implementation
 - › COLA updated to 3.26%
 - › Unduplicated pupil count at 70.12%
- Projected enrollment decline
 - › 100, 2019-20 (certified CALPADS)
 - › 200, 2020-21 through 2021-22 (100 each year)
- Other Assumptions
 - › Bargaining with all three associations ongoing for the current year
 - › Health and Welfare 9.5%
 - › STRS and PERS increases
 - › 3% RMA contribution implemented 2019-20
 - › \$2.2 million to be implemented in 2019-20 from 2018-19 Stabilization Plan
 - › \$2 million in anticipated SPED revenues
 - › \$2.5 million of additional planned reductions

Major Changes Since the Second Interim (in millions)

(Cost Increase)/Savings	2019-20	2020-21	2021-22	Cumulative
Special Ed Contribution	(0.19)	(0.19)	(0.19)	(0.57)
STRS Rate Reduction	0.65	0.65	0.65	1.95
Non-Implemented of 2nd Interim Planned Staffing Changes	(3.43)	(3.26)	(3.29)	(9.98)
Decrease for Child Nutrition Estimated Transfer of Negative Balances	0.08	0.08	0.08	0.24
Potential Budget Cuts: Reduced Supplies/Services	2.00	2.00	2.00	6.00
Anticipated Special Education Revenue	2.00	2.00	2.00	6.00

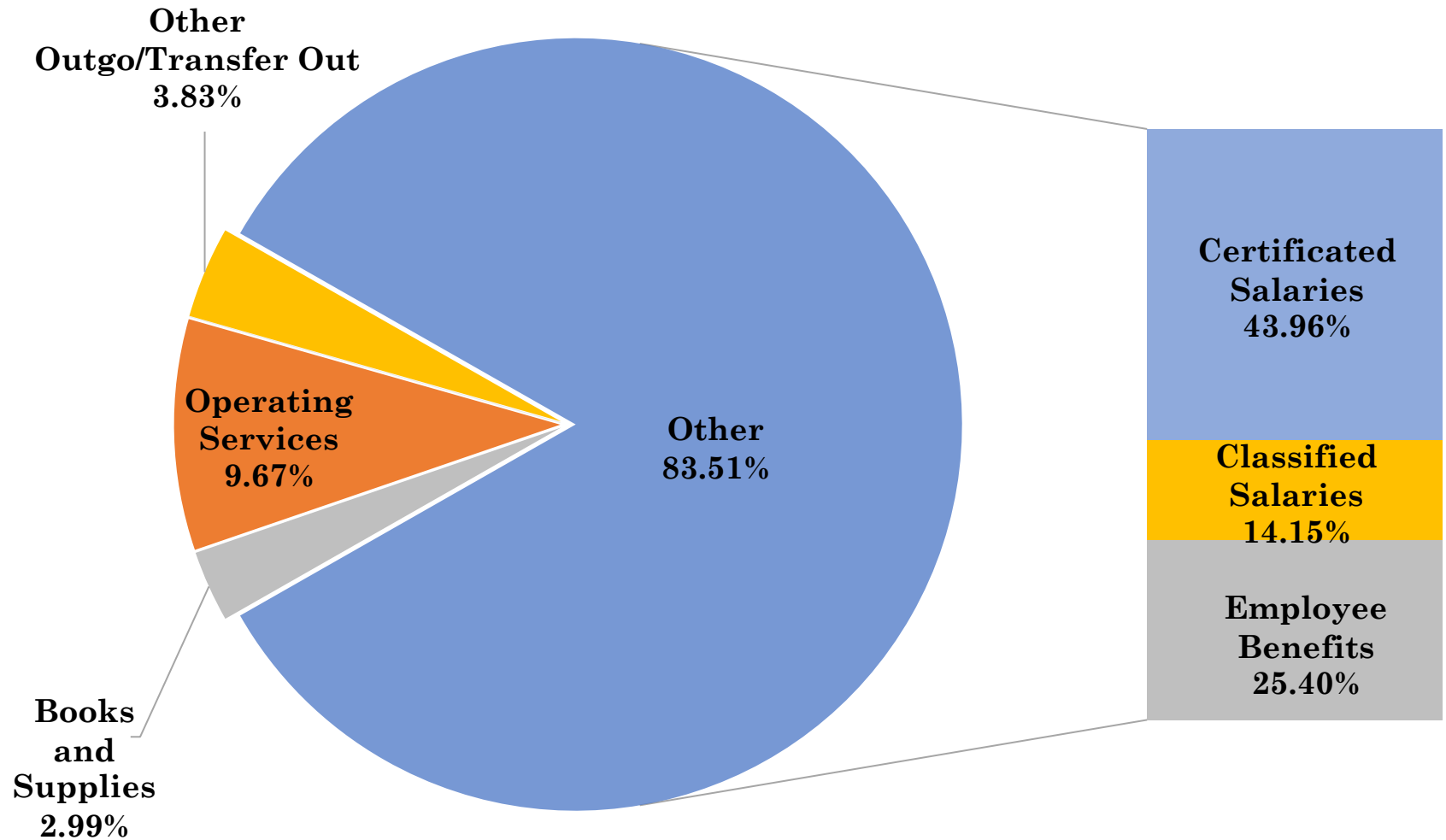
2019-20 Adopted Budget General Fund Revenues



Total Revenue = \$153,386,370

2019-20 ADOPTED BUDGET

General Fund Expenditures



Total Expenditures = \$157,256,022

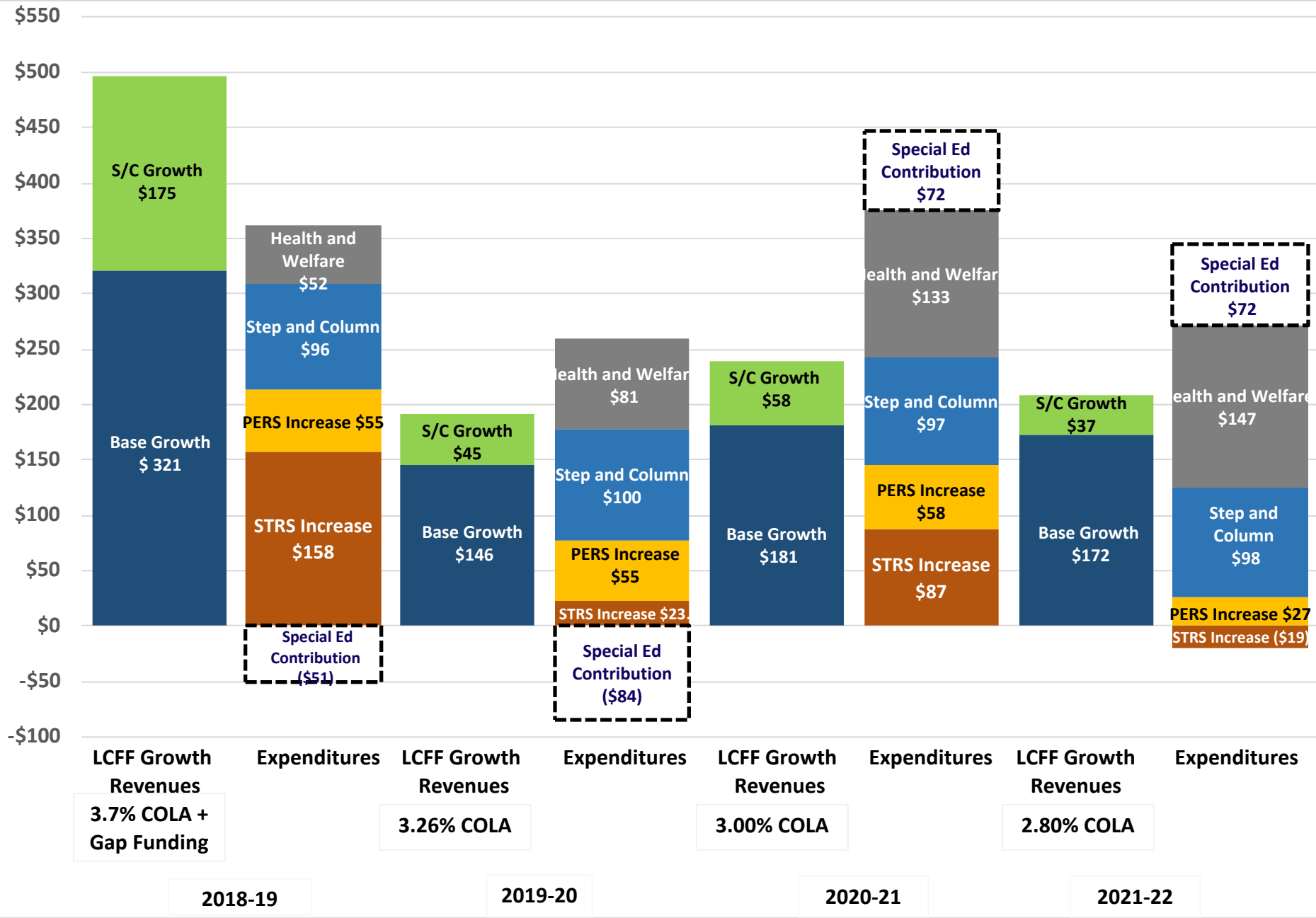
Multi-Year General Fund Revenues and Expenditures Budget Projections

Obj-Res	Projected Budget 2019/20	Projected Budget 2020/21	Projected Budget 2021/22
LCFF SOURCES	121,003,316.00	123,679,000.00	125,996,942.00
FEDERAL REVENUES	6,787,092.00	6,787,092.00	6,787,092.00
OTHER STATE REVENUES	19,559,282.00	19,548,874.00	19,537,490.00
LOCAL REVENUES	5,836,680.00	5,836,680.00	5,836,680.00
TOTAL REVENUES	153,186,370.00	155,851,646.00	158,158,204.00
CERTIFICATED SALARIES	69,122,218.00	69,397,650.00	70,225,591.00
CLASSIFIED SALARIES	22,250,999.00	22,510,060.00	22,772,359.00
BENEFITS	39,938,309.00	43,040,510.00	44,752,244.00
BOOKS & SUPPLIES	4,700,002.00	5,347,850.00	5,762,624.00
SERVICES & OTHER OPERATING	15,218,111.00	15,378,106.00	14,781,642.00
OTHER OUTGO	5,293,059.00	5,373,260.00	5,452,293.00
TOTAL EXPENDITURES	156,522,698.00	161,047,436.00	163,746,753.00
SURPLUS/(DEFICIT) BEFORE TRANSFERS	(3,336,328.00)	(5,195,790.00)	(5,588,549.00)
TRANSFERS IN	200,000.00	200,000.00	200,000.00
TRANSFERS OUT	(733,324.00)	(733,324.00)	(733,324.00)
TOTAL OTHER FINANCING SOURCES/USES	(533,324.00)	(533,324.00)	(533,324.00)
NET INCREASE/(DECREASE) IN FUND BALANCE	(3,869,652.00)	(5,729,114.00)	(6,121,873.00)

Multi-Year General Fund Budget Projections

	Projected Budget 2019-20	Projected Budget 2020-21	Projected Budget 2021-22
Beginning Fund Balance	\$27,625,917	\$23,756,265	\$18,027,151
Audit Adjustment/Restatement	-	-	-
Revised Fund Balance	\$27,625,917	\$23,756,265	\$18,027,151
Annual Revenues (includes other financing sources)	\$153,386,370	\$156,051,646	\$158,358,204
Annual Expenditures (include other financing uses)	\$157,256,022	\$161,780,760	\$164,480,077
Changes in Fund Balance	(\$3,869,652)	(\$5,729,114)	(\$6,121,873)
Projected Ending Fund Balance	\$23,756,265	\$18,027,151	\$11,905,278
I. Unavailable Reserves:	\$5,910,259	\$5,457,755	\$5,955,470
1.) Nonspendable:			
a. Revolving Cash	\$35,000	\$35,000	\$35,000
b. Inventory	\$50,000	\$50,000	\$50,000
c. Prepaid Expenditures	\$534,158	\$17,793	-
2.) Restricted Program Balances	\$5,291,101	\$5,354,962	\$5,870,470
3.) Assigned	\$977,892	\$977,892	\$977,892
II. Total Unrestricted Fund Balance	\$16,868,114	\$11,591,504	\$4,971,916
1.) Reserve for Economic Uncertainty	\$4,717,681	\$4,853,423	\$4,934,403
2.) Available Reserves	\$12,150,433	\$6,738,081	\$37,513
III. Available Reserves (Unrestricted Fund)	10.73%	7.16%	3.02%

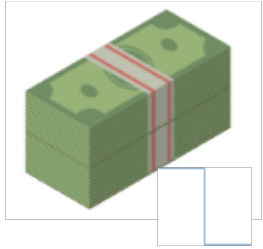
CVUSD – Per/ADA Revenue Vs. Expenses



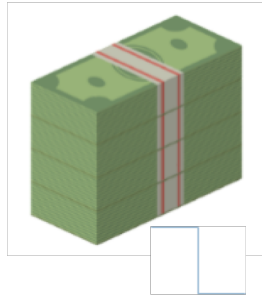
Other Funds – Projected Totals 2019-20 (in millions)

	Fund 10 Special Education Pass- Through	Fund 11 Adult Education	Fund 12 Child Development	Fund 13 Cafeteria	Fund 21 Building	Fund 25 Capital Facilities	Fund 40 Special Reserve for Capital Outlay	Fund 67 Self Insurance
Beginning Fund Balance	\$0.01	\$1.32	\$0.54	\$6.02	\$16.36	\$1.39	\$1.97	\$1.85
Revenue	\$59.97	\$4.50	\$3.27	\$6.03	\$0.39	\$0.17	\$0.73	\$19.21
Expenditure	\$59.97	\$4.09	\$3.18	\$7.16	\$5.42	\$0.60	\$0.14	\$18.77
Other Financing Sources/Uses	\$0.00	\$0.00	(\$0.20)	\$0.03	\$0.00	\$0.00	\$0.00	\$0.00
Ending Fund Balance	\$0.01	\$1.74	\$0.43	\$4.92	\$11.33	\$0.96	\$2.56	\$2.28

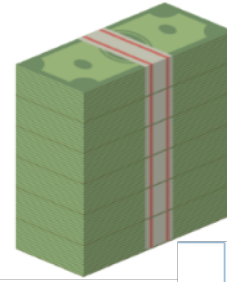
Strs/Pers Costs Through 2022-23



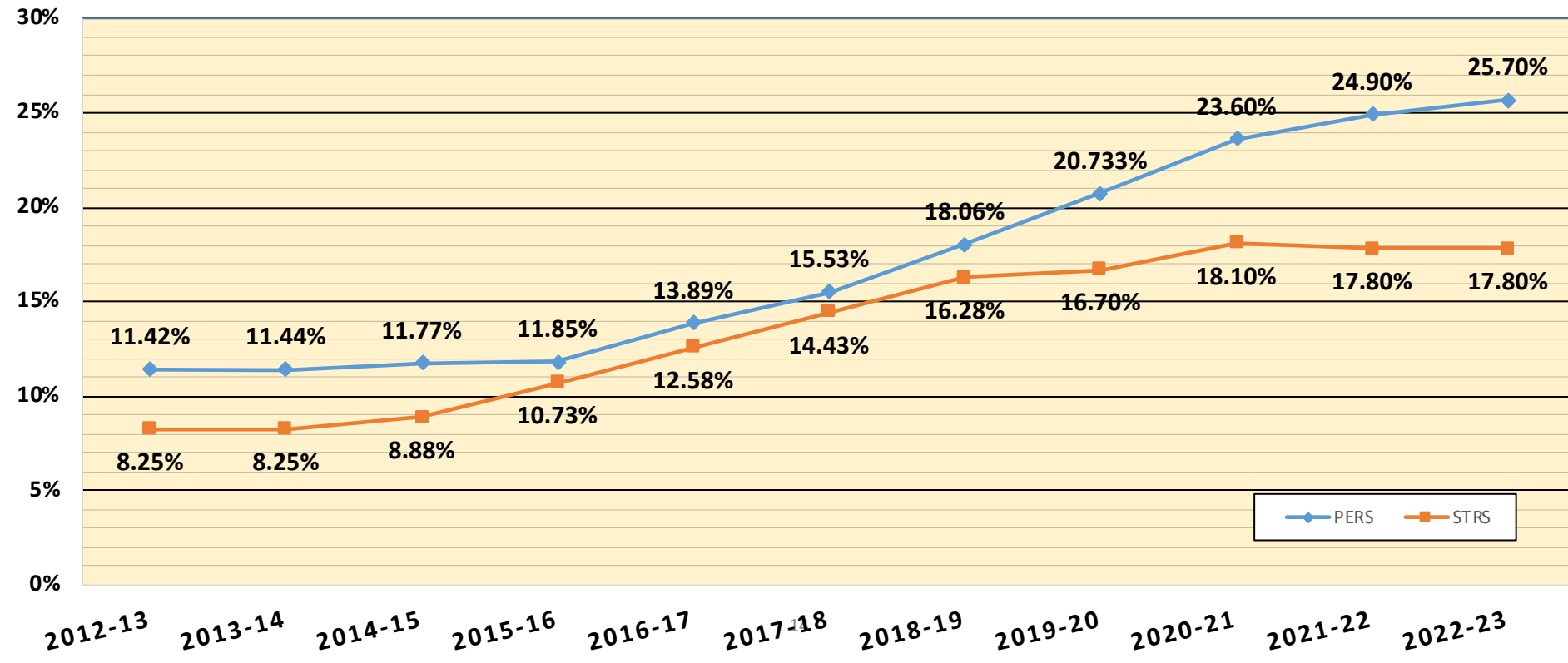
2013-14 \$6.7 Million
\$525 per student



2017-18 \$12.3 Million
\$1,055 per student



2022-23 \$17.7 Million
\$1,614 per student



LEGISLATIVE PROPOSALS

Special Education Legislative Alternatives

- Governor's proposal for \$696.2 million ongoing funding for Special Education School Readiness Grant was rejected by the Senate and the Assembly
- Senate Bill - SB217 proposes \$533 million ongoing funding
 - › \$333 million to equalize AB602
 - › \$200 million to establish the Special Education Early Intervention Grant program
- Assembly Bill - AB428 proposes \$593 million ongoing funding
 - › \$333 million to equalize AB602
 - › \$260 million to add estimated ADA to AB602 for Preschool

CHALLENGES

- Structural Deficit - working toward resolution. There is no such thing as a good budget without an adequate reserve
- Future funding - declining enrollment and limited to COLA increase
- Routing Restricted Maintenance Reserve - 3% (2019-20) \$1.60-million increase
- No revenue source for STRS and PERS increases aside from current Governor's proposal
- Health and Welfare ongoing increases
- Stated preference for a balanced budget by major stakeholder group / fair share

Final Thoughts

For the May Revision, the Governor stays the course on most of his January proposals

- Budgets will continue to be tight with what we call the “Big Three” indicators that most LEAs are dealing with now:
 - › Declining enrollment
 - › Pension cost increases
 - › Special Education program costs
- If COLA only is our near-term LCFF future, deficit spending and/or cuts to programs will be the result
- Collective bargaining will continue to be a struggle as the teacher shortage continues

The Outlook for the LCFF

The most significant determinant of the LCFF's outlook is the future growth of Proposition 98

- › California's economy is forecasted to slow down in the next three years, which could have a plateauing effect on the minimum guarantee
- › Student enrollment statewide is declining, which could further affect the minimum guarantee
- The State would need an economic boost or new sources of revenue
 - › The absence of additional revenue makes it probable that the LCFF will be limited to what the minimum guarantee can fund



Comments or Questions...

