2013-14 First Interim Report



Covina-Valley Unified School District *"Creating Extraordinary Futures"*

December 16, 2013 Board Meeting

Presenters

Dr. Catherine Nichols, Superintendent

David A. Rivera, Chief Business Officer

James Pham, Director of Fiscal

Manuel Correa, Assistant Director of Fiscal



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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 (2014/15 & 2015/16)

Reporting Schedule

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

First Interim Report

Reporting Requirements (Continued)
 Certifications
 Positive – the District <u>will</u> meet its obligations

Qualified – the District <u>may not</u> meet its financial obligations

Negative – the District <u>will be unable</u> to meet its financial obligations

Certification is for the <u>current fiscal year and subsequent</u> <u>two fiscal years</u>

Budget Assumptions Summary Outlined on Page 1.1 and 1.2

Previous Tier III Programs now built-into LCFF Model

| Resource | Program Description | Funding |
|----------|--------------------------------------|---------|
| 00000 | Administrative Training Program | 16,972 |
| 00000 | Advanced Placement Fee Reimbursement | 5,139 |
| 00000 | Core Academic | 226,801 |
| 00000 | Low STAR | 20,102 |
| 00000 | Oral Health (District) | 5,931 |
| 00000 | Remedial-Supplemental Instruction | 291,469 |
| 06258 | Physical Education Grant | 88,053 |
| 06285 | Community Based English Tutoring | 51,085 |
| 06350 | ROP Program | 925,177 |
| 06405 | School Safety Block Grant | 215,248 |
| 06760 | Arts and Music Block Grant | 195,889 |

Previous Tier III Programs now built-into LCFF Model

| 4 | Resource | Program Description | Funding | |
|---|----------|---|--|----------------|
| C | 07055 | CAHSEE | 144,046 | |
| C | 07080 | School Counseling | 453,197 | |
| (| 07090/91 | EIA-LEP/SCE | 1,148,348 | |
| (| 07140 | GATE | 105,018 | |
| (| 07156 | Instructional Materials Fund | 809,148 | |
| (| 07230 | Home to School Transportation | 265,637 | N. C. |
| (| 07240 | Special Education Transportation | 280,741 | |
| (| 07271 | Peer Assistance & Review | 53,198 | and and |
| (| 07294 | Math & Reading Professional Development | 103,214 | |
| (| 07390 | Pupil Retention Block Grant | 41,518 | |
| (| 07393 | Professional Development Block Grant | 548,904 | and the second |
| | | | and the second s | |

Previous Tier III Programs now built-into LCFF Model

| Resource | Program Description | Funding |
|-------------|--|------------|
| 07394 | Targeted Instructional Improvement Block Grant | 860,713 |
| 07395 | School Library Improvement Block Grant | 737,046 |
| 13000 | Class-size Reduction Program | 2,679,642 |
| 24300 | Community Day | 9,728 |
| | Sub-Total | 10,281,964 |
| Other Funds | 5 | |
| 06390 | Adult Education | 5,230,530 |
| 06092 | Cal-SAFE | 165,230 |
| 06205 | Deferred Maintenance | 602,953 |
| | Sub-Total | 5,998,713 |
| Grand Tota | | 16,280,677 |

How much additional funding is Covina-Valley USD going to receive, as a result of implementation of LCFF, in the current year?

District Projections Comparing 2012-13 vs 2013-14

<u>Base Revenue Limit (12-13)</u>

Actuals – \$68,344,751.38 Less Prior Year Adjustment for \$237,706.99 Plus LA County Transfer (\$728,742.00) Gross Funding \$68,835,786.39

Net Funding \$68,107,044.39 Actuals Less Prior Year Adjustment

Previously, the State transferred funds off-the-top for LACOE Program.

Under LCFF, transfers will be shown under expenditure budgets. LCFF Calculations (13-14) Projection- \$88,177,416

> Base Adjustments Categorical Programs (\$16,280,677)

> > Pending State P1 Certification Notice

Outstanding Balance \$71,896,739.00 Additional Revenues \$3,789,694.61

> Special Education Transfer Expenditure is \$764,400

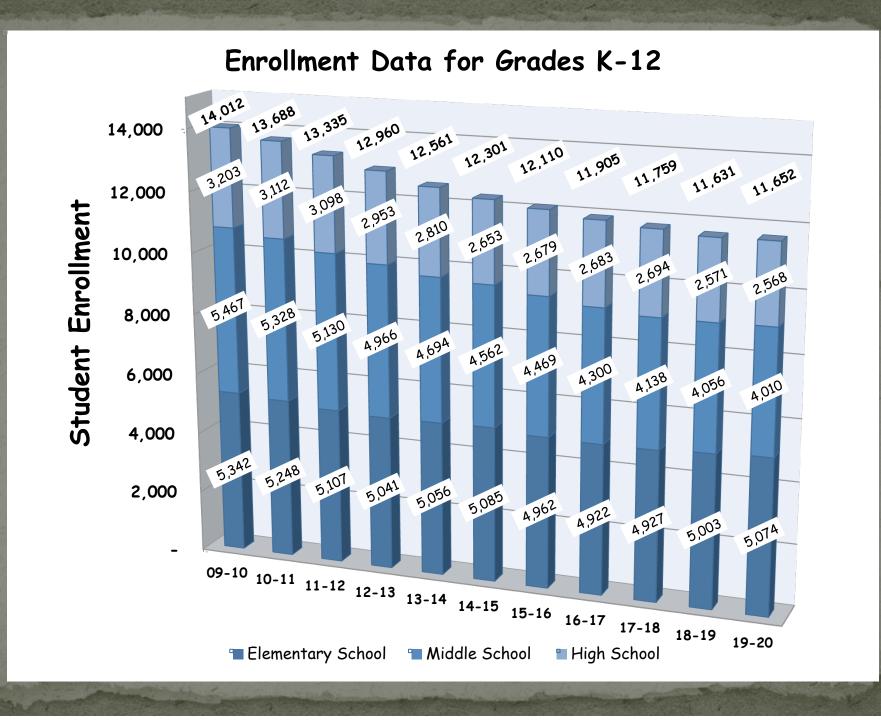
Additional Funding \$3,025,294.61

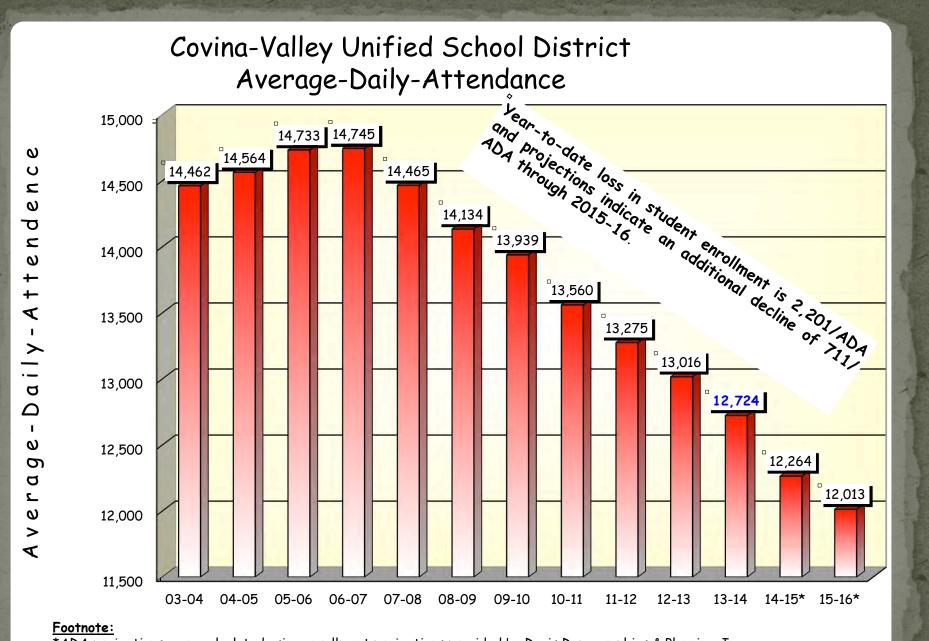
Additional Funding Calculations

- Net Increase in District Reserves \$3,025,295
 - Base Funding rose by \$409,440 Includes categorical programs & unrestricted programs Adjusted for decline in student enrollment
 - Supplemental and Concentration Grants is projected at \$2,615,855 or 86% of overall increase

Funds are to be dedicated (unduplicated pupil counts) to English Language Learners, Pupils eligible for free and reduced meal program, and Foster Youth

Financial Analysis Noteworthy Trends for the District Student Enrollment Changes in Average-Daily-Attendance Health and Welfare Premiums





*ADA projections were calculated using enrollment projections provided by Davis Demographics & Planning, Inc.

Health and Welfare

• The District is currently in negotiations with CUEA and CSEA.

Tentative agreement reached in November to change medical insurance provider and rate structure

Southern California School Employees Benefit Association (SCSEBA).

New Four-Tier Rate Fee Structure

Health and Welfare

• Net increase in funding for LCFF \$3.02 million

 MOU Agreement with Associations
 An increase in health benefit contributions of \$1.55 million

Revenues for other obligations \$1.47 million

Health and Welfare continued...

PREVIOUS THREE-TIER CONTRIBUTION TABLES (ANNUAL RATES)

| | District | Employee | Combined |
|------------------|--------------|--------------|----------|
| Health Net (HMO) | Contribution | Contribution | Total |
| Employee Only | 5,630 | - | 5,630 |
| Two Party | 11,804 | 300 | 12,104 |
| Family | 16,007 | 600 | 16,607 |
| | | | |
| | District | Employee | Combined |
| Health Net (PPO) | Contribution | Contribution | Total |
| Employee Only | 6,693 | - | 6,693 |
| Two Party | 13,738 | 650 | 14,388 |
| Family | 18,742 | 1,000 | 19,742 |
| | | | |
| | District | Employee | Combined |
| Kaiser | Contribution | Contribution | Total |
| Employee Only | 5,418 | - | 5,418 |
| Two Party | 11,299 | 350 | 11,649 |
| Family | 15,283 | 700 | 15,983 |
| | | | |

Health and Welfare continued...

NEW FOUR-TIER CONTRIBUTION TABLES (ANNUAL RATES)

| | District | Employee | Combined | |
|--------------------------|--------------|--------------|----------|--|
| Blue Cross (HMO) | Contribution | Contribution | Total | |
| Employee Only | 5,105 | - | 5,105 | |
| Employee plus Child(ren) | 8,583 | 350 | 8,933 | |
| Employee plus Spouse | 11,701 | 550 | 12,251 | |
| Family | 14,869 | 700 | 15,569 | |
| | District | Employee | Combined | |
| Blue Cross (PPO) | Contribution | Contribution | Total | |
| Employee Only | 6,020 | - | 6,020 | |
| Employee plus Child(ren) | 9,835 | 700 | 10,535 | |
| Employee plus Spouse | 13,448 | 1,000 | 14,448 | |
| Family | 16,961 | 1,400 | 18,361 | |
| | District | Employee | Combined | |
| Kaiser | Contribution | Contribution | Total | |
| Employee Only | 5,662 | - | 5,662 | |
| Employee plus Child(ren) | 9,558 | 350 | 9,908 | |
| Employee plus Spouse | 13,038 | 550 | 13,588 | |
| Family | 16,568 | 700 | 17,268 | |
| | | | | |

District Reserves (Exclusive of Fund 01.1)

- Unrestricted General Fund
 - Beginning Balance \$16.8 million
 - Projected Ending Balance \$14.4 million
 - Deficit Spending of \$2.4 million
 Deficit Factor will increase by \$900 thousand

Construction of new vocational building

 Restricted General Fund
 Beginning Balance \$3.6 million

> Projected Ending Balance \$2.7 million

Reserve Requirements:

- 3% = \$3.5 million Reserved for Economic Uncertainties
- \$92 thousand for Revolving Cash/Inventory
- \$1.8 million Assigned for Fairvalley Vocational Center
- \$900 thousand for 13-14 and \$900 thousand for 14-15
- Unassigned/Unappropriated Funds \$9.0 million

Budget Assumptions for Next Two Fiscal Years 2014-15 & 2015-16

Fiscal Year: 2014-15 Working Assumptions

<u>Revenues</u>

 Budgeted per-student funding amount \$7,414
 An increase of \$484/ ADA or 6.98%

Enrollment decline of 460

 Updated Lottery funding for enrollment decline

Expenditures

- Reduction of 4 FTE's in Certificated Staffing
- Health and Welfare Benefits
 Increase of \$1.2 million
- Cost Increases for Operations:
 Utilities cost
 Step, Column and Longevity
 Board Elections
- Increase in General Fund Contributions
 - Special Education
 - Pupil Transportation

Fiscal Year: 2015-16 Working Assumptions

Revenues

- Budgeted per-studentfunding amount \$7,589
 An increase of \$175/ADA or 2.36%
- Enrollment decline of 251
- Updated Lottery funding for enrollment decline

<u>Expenditures</u>

- Reduction of 4 FTE's in
 Certificated Staffing
- Health and Welfare Benefits
 Increase of \$1.2 million
 - Cost Increases for Operations
 Utilities cost
 - Step, Column and Longevity

 Increase in General Fund Contributions

- Special Education
- Pupil Transportation

Multi-Year Budget Projections

| | Projected | Projected | Projected | |
|--|---------------------|----------------|----------------|--|
| | 2013-14 | 2014-15 | 2015-16 | |
| Beginning Fund Balance | \$ 23,100,347 | \$ 19,804,226 | \$ 17,576,170 | |
| Audit Adjustment/Restatement | \$- | \$ - | \$ - | |
| Revised Fund Balance | \$ 23,100,347 | \$ 19,804,226 | \$ 17,576,170 | |
| Annual Revenues (includes other financing sources) | \$ 114,389,434 | \$ 114,447,784 | \$ 114,689,097 | |
| Annual Expenditures (includes other financing sources) | \$ 117,685,555 | \$ 116,675,840 | \$ 119,515,454 | |
| Changes in Fund Balance | \$ (3,296,121) | \$ (2,228,056) | \$ (4,826,357) | |
| | | | | |
| Projected Ending Fund Balance | \$ 19,804,226 | \$ 17,576,170 | \$ 12,749,813 | |
| I. Unavailable Reserves: | <u>\$ 7,257,294</u> | \$ 7,007,294 | \$7,007,294 | |
| 1.) Nonspendable: | | | | |
| 1. Revolving Cash | \$ 35,000 | \$ 35,000 | \$ 35,000 | |
| 2. Inventory | \$ 56,737 | \$ 56,737 | \$ 56,737 | |
| 2.) Restricted Program Balances | \$ 5,359,824 | \$ 5,109,824 | \$ 5,109,824 | |
| 3.) Assigned | \$ 1,805,733 | \$ 1,805,733 | \$ 1,805,733 | |
| II. Total Unrestricted Fund Balance | \$ 12,546,932 | \$ 10,568,876 | \$ 5,742,519 | |
| 1.) Reserve for Economic Uncertainty (3%) | \$ 3,530,567 | \$ 3,500,276 | \$ 3,585,464 | |
| 2.) Available Reserves (Unrestricted) | \$ 9,016,365 | \$ 7,068,600 | \$ 2,157,055 | |
| III. Available Reserves (Unrestricted Fund) | 7.66% | 6.06% | 1.80% | |

SELPA Administrative Unit (Fund 01.1)

| | First Interim | | | | | |
|--|---------------|-----------|-----------|-----------|-----------|-----------|
| | Budget | | Projected | | Projected | |
| | 2013-14 | | 2014-15 | | 2015-16 | |
| Beginning Fund Balance | \$ | 2,667,058 | \$ | 2,720,765 | \$ | 2,774,472 |
| Audit Adjustment/Restatement | \$ | - | \$ | - | \$ | - |
| Revised Fund Balance | \$ | 2,667,058 | \$ | 2,720,765 | \$ | 2,774,472 |
| | | | | | | |
| Annual Revenues (includes other financing sources) | \$ | 1,372,213 | \$ | 1,372,213 | \$ | 1,372,213 |
| Annual Expenditures (includes other financing sources) | \$ | 1,318,506 | \$ | 1,318,506 | \$ | 1,318,506 |
| Changes in Fund Balance | | 53,707 | \$ | 53,707 | \$ | 53,707 |
| | | | | | | |
| Projected Ending Fund Balance | \$ | 2,720,765 | \$ | 2,774,472 | \$ | 2,828,179 |
| Restricted Fund Balance | \$ | 2,720,765 | \$ | 2,774,472 | \$ | 2,828,179 |

Cash Flow Projections

• 2012-13

External borrowing through TRAN's
Mid-Year \$13.9 million To be repaid July and August of 2013

• 2013-14

- External borrowing through TRAN's
 - Beginning of Year \$6.05 million
- Mid-Year an additional \$9.0 million

What lies ahead in 2014 and beyond?

An improving State economy?

Additional funding for education?

LAO Projects an Increase in 2013-14
 Operating Surplus for the State
 State Adopted Budget showed ending reserves at \$1.1 billion

Revised projections now reflect reserve levels at \$2.4 billion

Baseline Budget Assumptions

\$4.7 billion in anticipated funding Higher forecast of capital gains & stronger-thanexpected stock price growth

Personal income tax (PIT) revenues are about \$5.2 billion higher

LAO Projection for 2014-15
Anticipates State Operating Surplus Growth of an additional \$1 billion (to \$3.2 billion)
Larger operating surplus is the result of revenues outpacing expenditures
Revenues up 5.7% & spending up only 4.8%
Subject to change dependent upon legislative action

Baseline Budget Assumptions
\$5.8 billion in higher Revenues
Personal Income Tax (PIT) growth @ 8.1%

Anticipated impact in Proposition 98 Allocations is an additional \$3.3 billion

Projected increase of \$1.5 billion for other operations

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 <u>Positive Certification</u>

 Finalize Budget Stabilization Plan that ensures maintaining a 3% Reserve Requirement

Submit reports to LACOE

Board of Education Comments and Questions...