



# **COVINA-VALLEY**

UNIFIED SCHOOL DISTRICT

*"Creating Extraordinary Futures!"*

## **First Interim Report**



**December 15th, 2014**

# Contributors

Dr. Catherine Nichols,  
Superintendent

Jennifer Root,  
Chief Business Officer

James Pham,  
Director of Fiscal Services



**Covina-Valley Unified School District**  
*“Creating Extraordinary Futures”*

# Legal Requirements

## Reporting Requirements

- State mandate to file a certification of financial solvency twice a year
  - Education Code 35035(g), 42310, and 42131
  - AB1200 and AB 1708
  - Projections must include current year and subsequent two years (2015-16 & 2016-17)
- Reporting Schedule
  - First Interim is through October 31<sup>st</sup> and must be authorized by December 15<sup>th</sup>
  - Second Interim is through January 31<sup>st</sup> and must be authorized by March 15<sup>th</sup>

# Legal Requirements

## Reporting Requirements (continued)

- Certifications
  - Positive - the District will meet its financial 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.

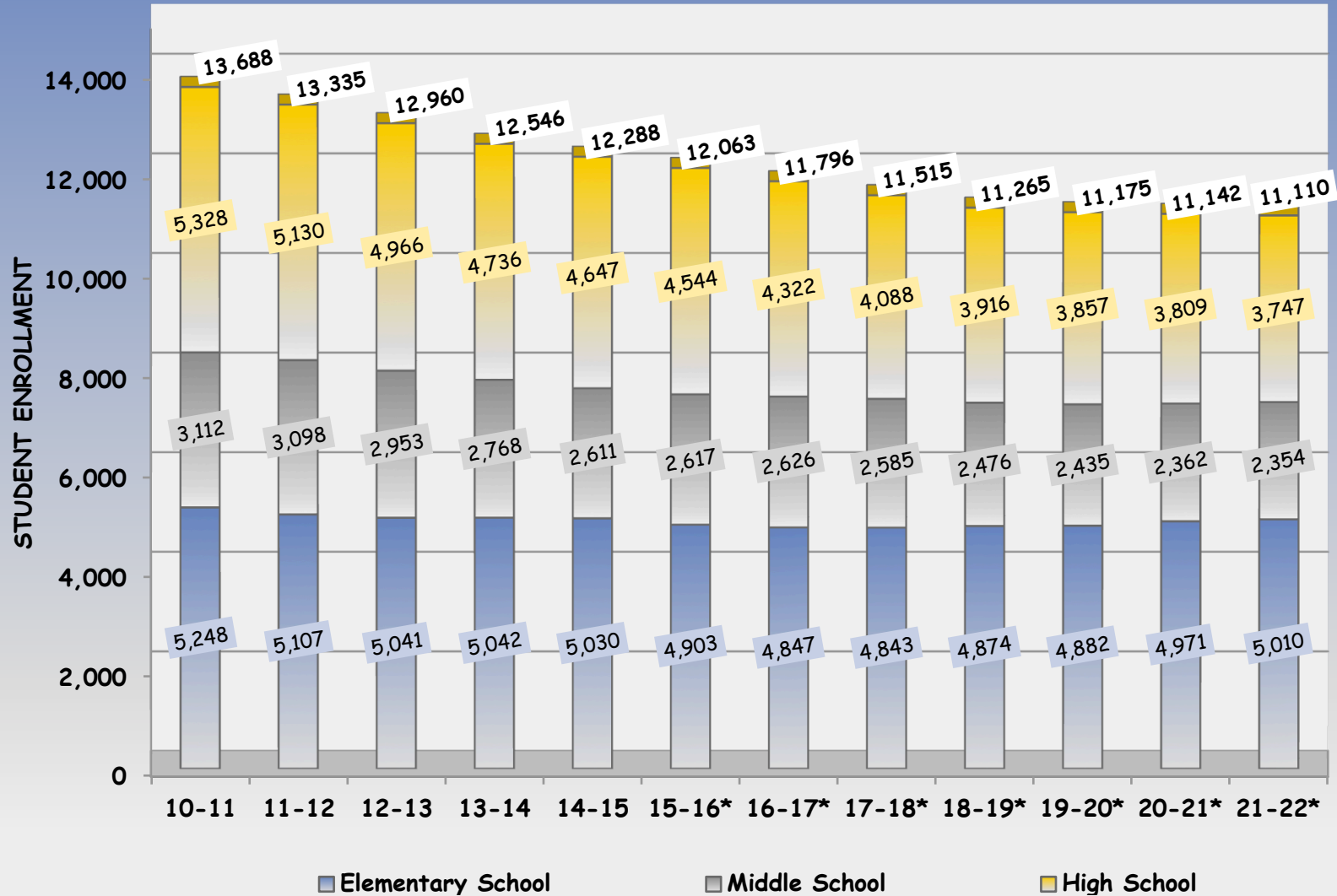


# Disclosure Requirements

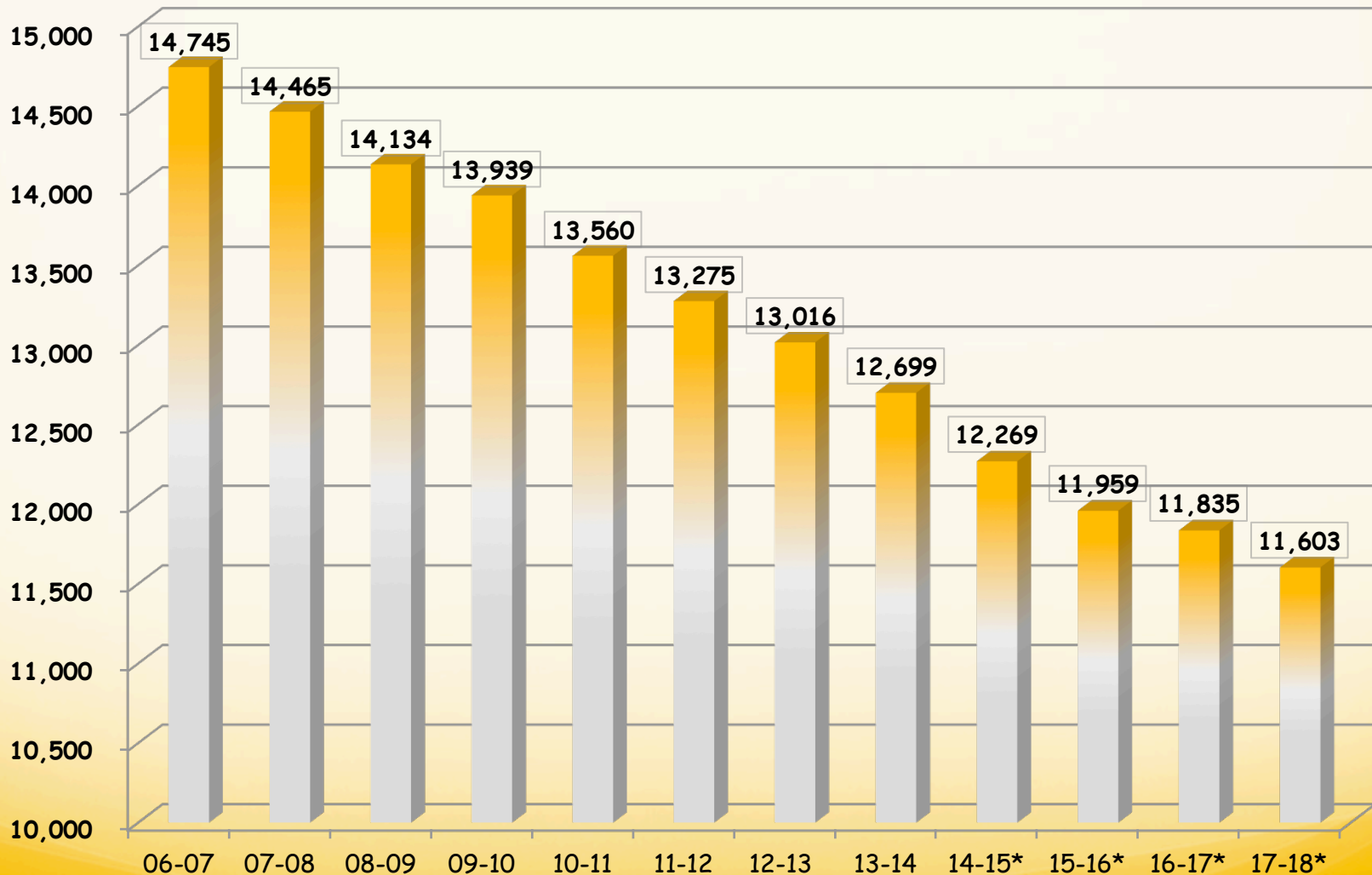
- Provide narrative disclosures of budget assumptions utilized in projections (Section I)
- Prepare supplemental documents outlining budget details (Sections II through VI)
- Provide multi-year projections (Section VII)
  - Covering periods 2014-15 through 2016-17
- Budget reports (Section VIII)
- State forms (Standardized Accounting Code Structure - SACS) (Section IX)

# Financial Trends and Analysis

## Enrollment Data Projections for Grades K-12

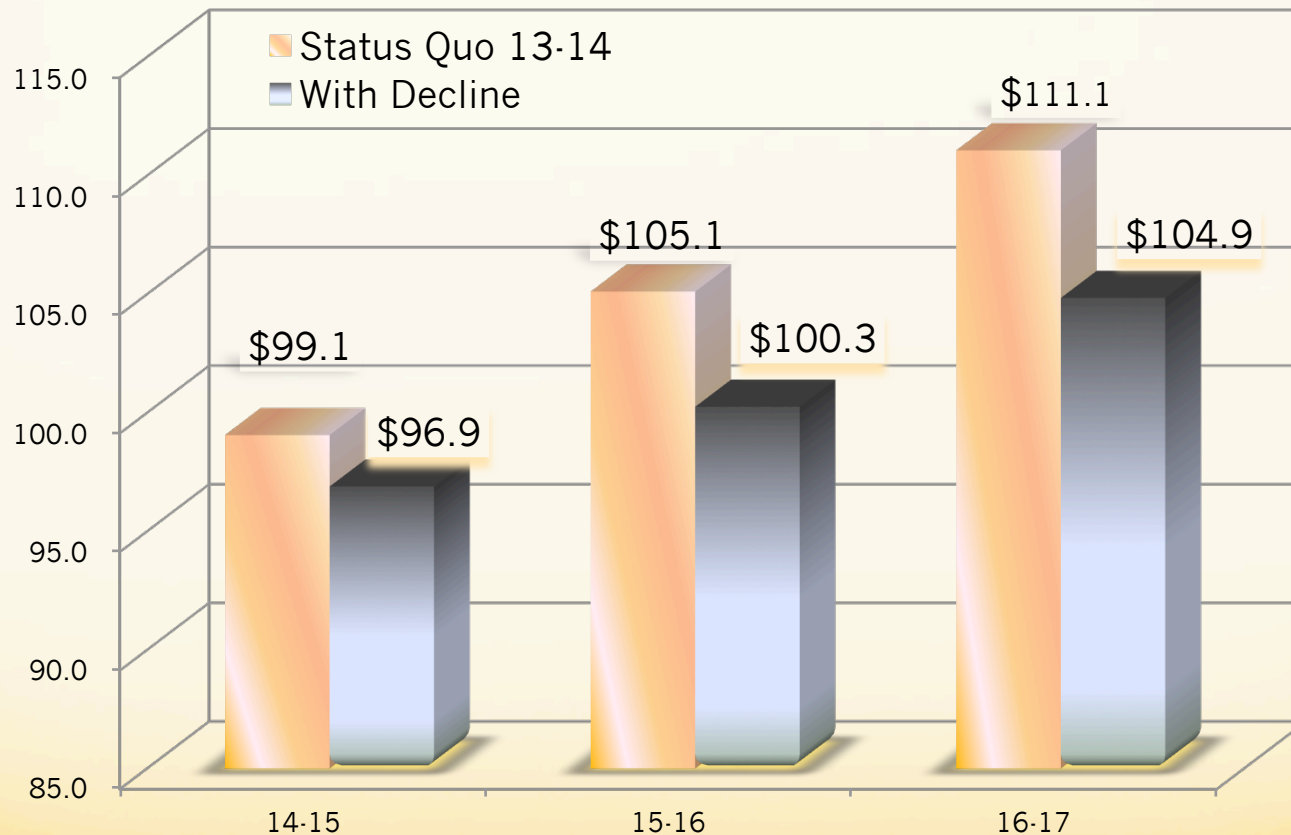


## Covina-Valley Unified School District Average-Daily-Attendance (ADA)



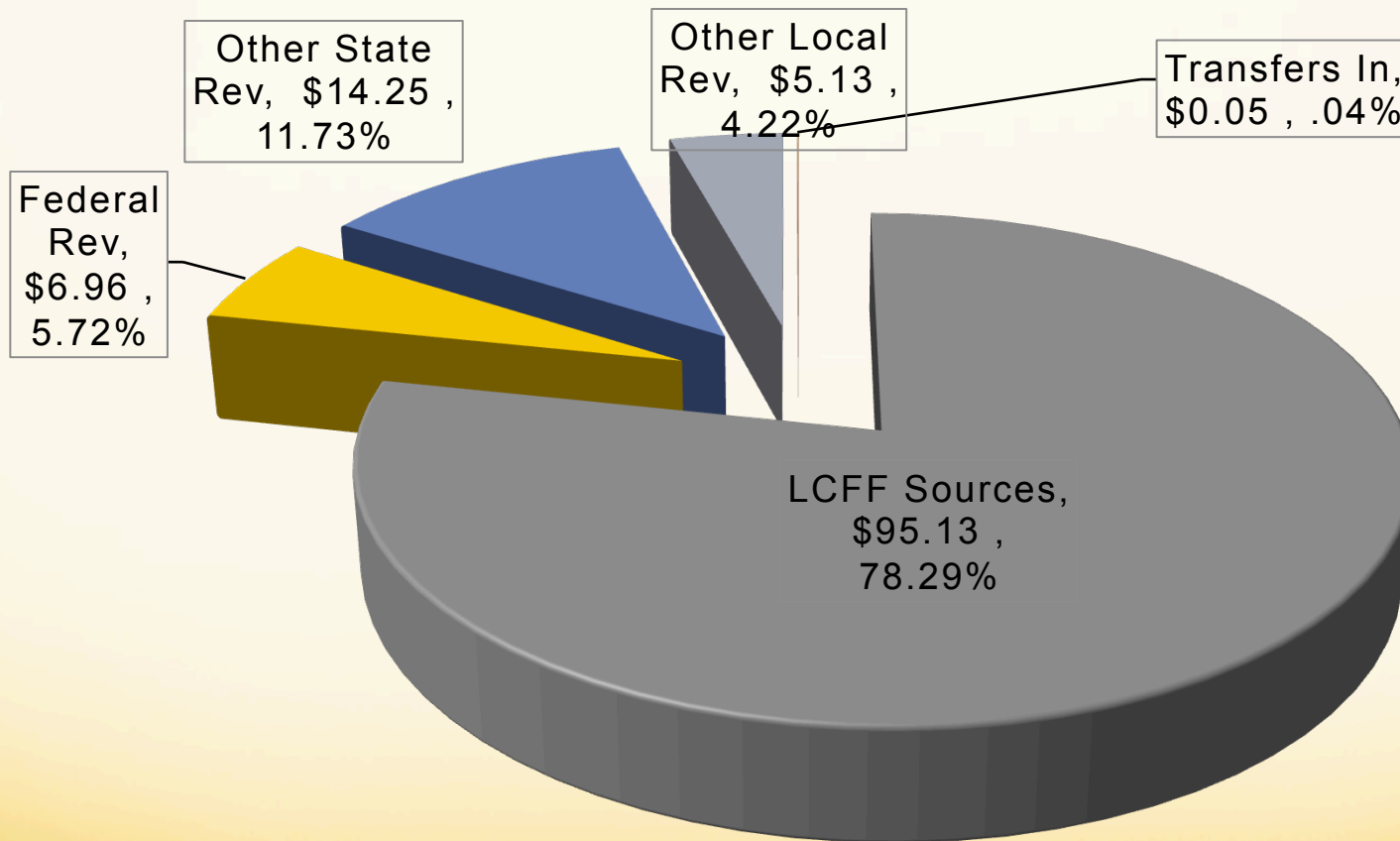


**The bar graph shown below illustrates the loss of District Base Funding (LCFF) to be estimated at \$13.2 million over a three-year period.**



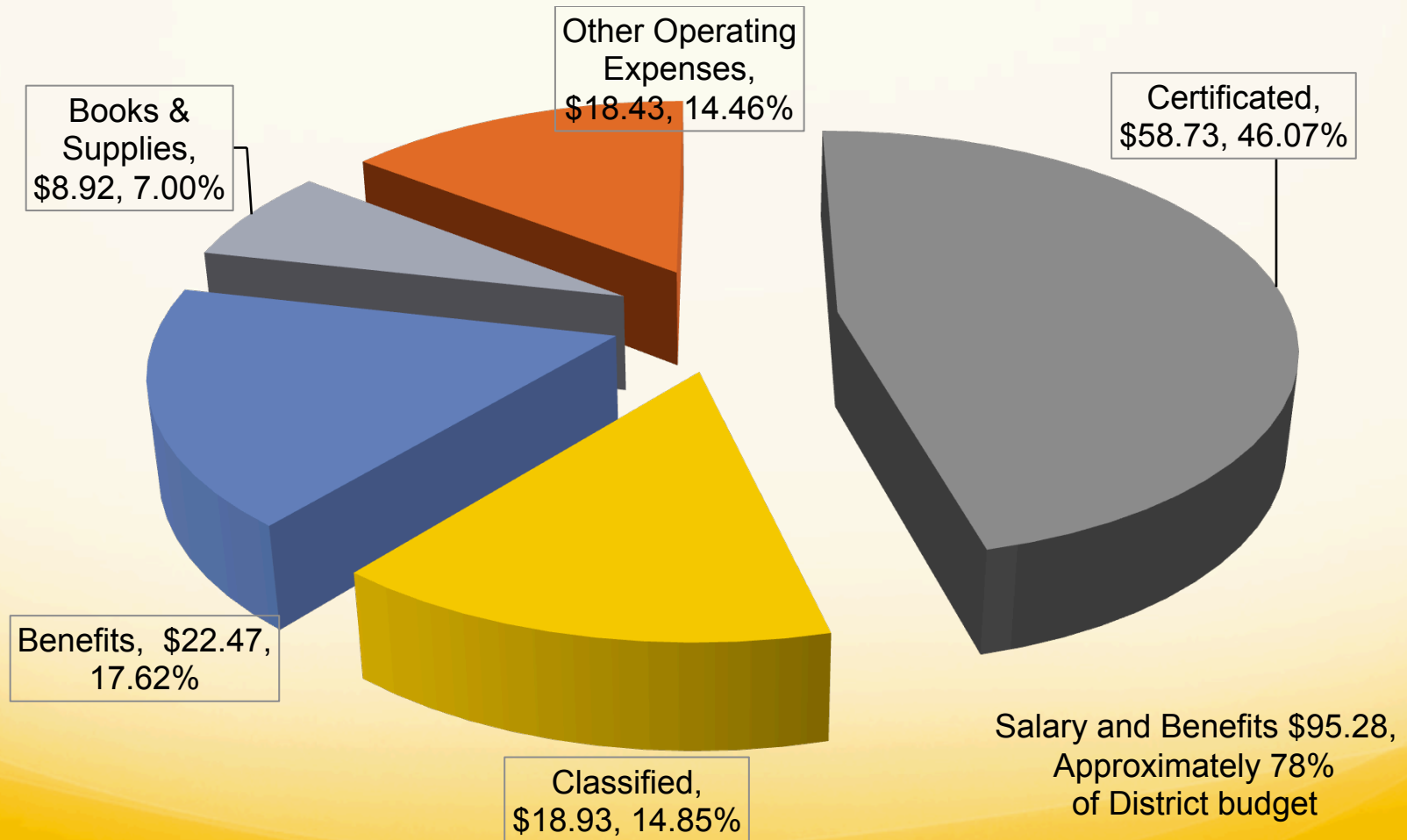
# General Fund (2014-15)

Unrestricted & Restricted Revenues: \$121,516,821  
(Amounts shown in millions)



# General Fund (2014-15)

Unrestricted & Restricted Expenditures: \$127,485,924  
(Amounts shown in millions)



# 2014-15 State Budget Updates

- Unemployment rate has declined to 7.0% as of October 2014.
- California's revenue position for the first four months of Fiscal Year 2014-15-\$1.4 billion ahead of DOF projections.
- Cash disbursements for the first four months of Fiscal Year 2014-15 under spent from projections by \$1.1 billion.



# State Revenues

## July-October 2014

(in millions)

Revenue Source	Actual Revenues	Budget Act	Budget Act Over (Under)
Corp Tax	1,889.9	1,157.7	732.2
Personal Inc. Tax	18,760.3	17,757.8	1,002.5
Retail Sales & Use Tax	6,137.1	6,601.3	(464.3)
Other Revenues	1,072.0	1,147.0	(75.0)
Non-Revenue	523.3	259.7	263.6
<b>Total Receipts</b>	<b>28,382.5</b>	<b>26,923.5</b>	<b>1,459.0</b>

# State Disbursements

## July-October 2014

(in millions)

Program	Actual Disbursements	Budget Act	Budget Act Over (Under)
Local Assistance	33,383.5	34,003.0	(619.5)
State Operations	12,892.0	12,977.3	(85.4)
Other	1,782.4	2,179.9	(397.5)
Total	48,057.8	49,160.2	(1,102.3)

# Fiscal Year: 2014-15

## Working Assumptions

### Revenues

- COLA 0.85%
- Decline in funded ADA of 275
- LCFF Gap Funding is budgeted at 29.56%
- C-VUSD Growth 11.81%  
(Pre Enrollment Decline)
- C-VUSD Growth 9.83%  
(Post Enrollment Decline)
- Updated Lottery for enrollment decline

### Expenditures

- Reduction in staffing for enrollment decline
- Step, column, and longevity
- Health and Welfare Benefits
- Additional General Fund Contributions

# Budget Assumptions for the Next Two Years



# Fiscal Year: 2015-16

## Working Assumptions

### Revenues

- COLA 2.19%
- Decline in funded ADA of 309
- LCFF Gap Funding is budgeted at 20.68%
- C-VUSD Growth 5.60% (Pre Enrollment Decline)
- C-VUSD Growth 3.42% (Post Enrollment Decline)
- Updated Lottery for enrollment decline

### Expenditures

- Reduction in staffing for enrollment decline
- Step, column, and longevity
- Health and Welfare Benefits
- Additional General Fund Contributions

# Fiscal Year: 2016-17

## Working Assumptions

### Revenues

- COLA 2.14%
- Decline in funded ADA of 125
- LCFF Gap Funding is budgeted at 25.48%
- C-VUSD Growth 5.78% (Pre Enrollment Decline)
- C-VUSD Growth 4.87% (Post Enrollment Decline)
- Updated Lottery for enrollment decline

### Expenditures

- Reduction in staffing for enrollment decline
- Step, column, and longevity
- Health and Welfare Benefits
- Additional General Fund Contributions

# Multi-Year Budget Projections

	First Interim 2014-15	Projected 2015-16	Projected 2016-17
Beginning Fund Balance	\$19,244,230	\$13,275,127	\$12,936,143
Audit Adjustment/Restatement			
Revised Fund Balance	\$19,244,230	\$13,275,127	\$12,936,143
Annual Revenues (includes other financing sources)	\$121,516,821	\$125,686,632	\$130,986,605
Annual Expenditures (includes other financing sources)	\$127,485,924	\$126,025,616	\$128,105,541
Changes in Fund Balance	(\$5,969,103)	(\$338,985)	\$2,881,063
Projected Ending Fund Balance	\$13,275,127	\$12,936,143	\$15,817,206
I. Unavailable Reserves:	\$5,883,052	\$5,766,356	\$5,193,347
1.) Nonspendable:			
1. Revolving Cash	\$35,000	\$35,000	\$35,000
2. Inventory	\$56,737	\$56,737	\$56,737
2.) Restricted Program Balances	\$5,791,315	\$5,674,619	\$5,101,610
3.) Assigned	\$ -	\$ -	
II. Total Unrestricted Fund Balance	\$7,392,076	\$7,169,787	\$10,623,859
1.) Reserve for Economic Uncertainty (3%)	\$3,867,486	\$3,823,678	\$3,886,976
2.) Available Reserves (See Footnote)	\$3,524,590	\$3,346,109	\$6,736,883
III. Available Reserves (Unrestricted Fund)	5.80%	5.69%	8.29%

# SELPA Administrative Unit (Fund 01.1)

	<b>First Interim 2014-15</b>	<b>Projected 2015-16</b>	<b>Projected 2016-17</b>
Beginning Fund Balance	\$3,037,335	\$3,094,964	\$3,150,292
Audit Adjustment/Restatement			
Revised Fund Balance	\$3,037,335	\$3,094,964	\$3,150,292
Annual Revenues (includes other financing sources)	\$1,322,575	\$1,322,575	\$1,322,575
Annual Expenditures (includes other financing sources)	\$1,264,946	\$1,267,247	\$1,269,566
Changes in Fund Balance	\$57,629	\$55,328	\$53,009
Projected Ending Fund Balance	\$3,094,964	\$3,150,292	\$3,203,301
Restricted Fund Balance	\$3,094,964	\$3,150,292	\$3,203,301



# Challenges for the District

# Budget Constraints and Challenges

- Full implementation of LCFF Funding Model
  - 14-15 29.56%
  - 15-16 20.68%
  - 16-17 25.48%
  - District projected \$2.5 million less revenues from Adopted Budget to First Interim
- Student Enrollment Decline
- Competing demands for funding
- Unfunded Pension Liability
  - STRS \$73.7 b
  - PERS \$49.9 b
  - Add'l Contributions
- Affordable Care Act
- Sun-setting of Prop. 30
  - Sales Tax 2016
  - Income Tax 2018

# STRS and PERS Rates Increase and Projected Additional Expenditures

<b>STRS</b>	<b><u>2014-15</u></b>	<b><u>2015-16</u></b>	<b><u>2016-17</u></b>	<b><u>TOTAL</u></b>
Old Rate	8.25%	8.25%	8.25%	
New Rate	8.88%	10.73%	12.58%	
Rate Difference	<u>0.63%</u>	<u>2.48%</u>	<u>4.33%</u>	<u></u>
<b>Add'l Expenditures</b>	<b><u>\$371,166</u></b>	<b><u>\$1,463,760</u></b>	<b><u>\$2,560,465</u></b>	<b><u>\$4,395,391</u></b>

<b>PERS</b>				
Old Rate	11.442%	11.442%	11.442%	
New Rate	11.771%	12.600%	15.000%	
Rate Difference	<u>0.3290%</u>	<u>1.158%</u>	<u>3.558%</u>	<u></u>
<b>Add'l Expenditures</b>	<b><u>\$71,855</u></b>	<b><u>\$254,699</u></b>	<b><u>\$788,109</u></b>	<b><u>\$1,114,663</u></b>

<b>TOTAL Expenditures</b>				<b>\$5,510,054</b>
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# Sections VIII and IX

- Budget Reports
  - Detailed List of Revenues & Expenditures
- State Forms
  - Standardized Accounting Code Structure

# Next Steps - First Interim Report

- Board needs to take formal action on adopting First Interim Report
- Recommend approving the report as submitted with a **Positive Certification**
- Submit reports to LACOE



Thank you!  
Comments and Questions...