



COVINA-VALLEY

UNIFIED SCHOOL DISTRICT

"Creating Extraordinary Futures!"

Second Interim Report



March 16, 2015

Contributors

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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 31st and must be authorized by December 15th
 - Second Interim is through January 31st and must be authorized by March 15th

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

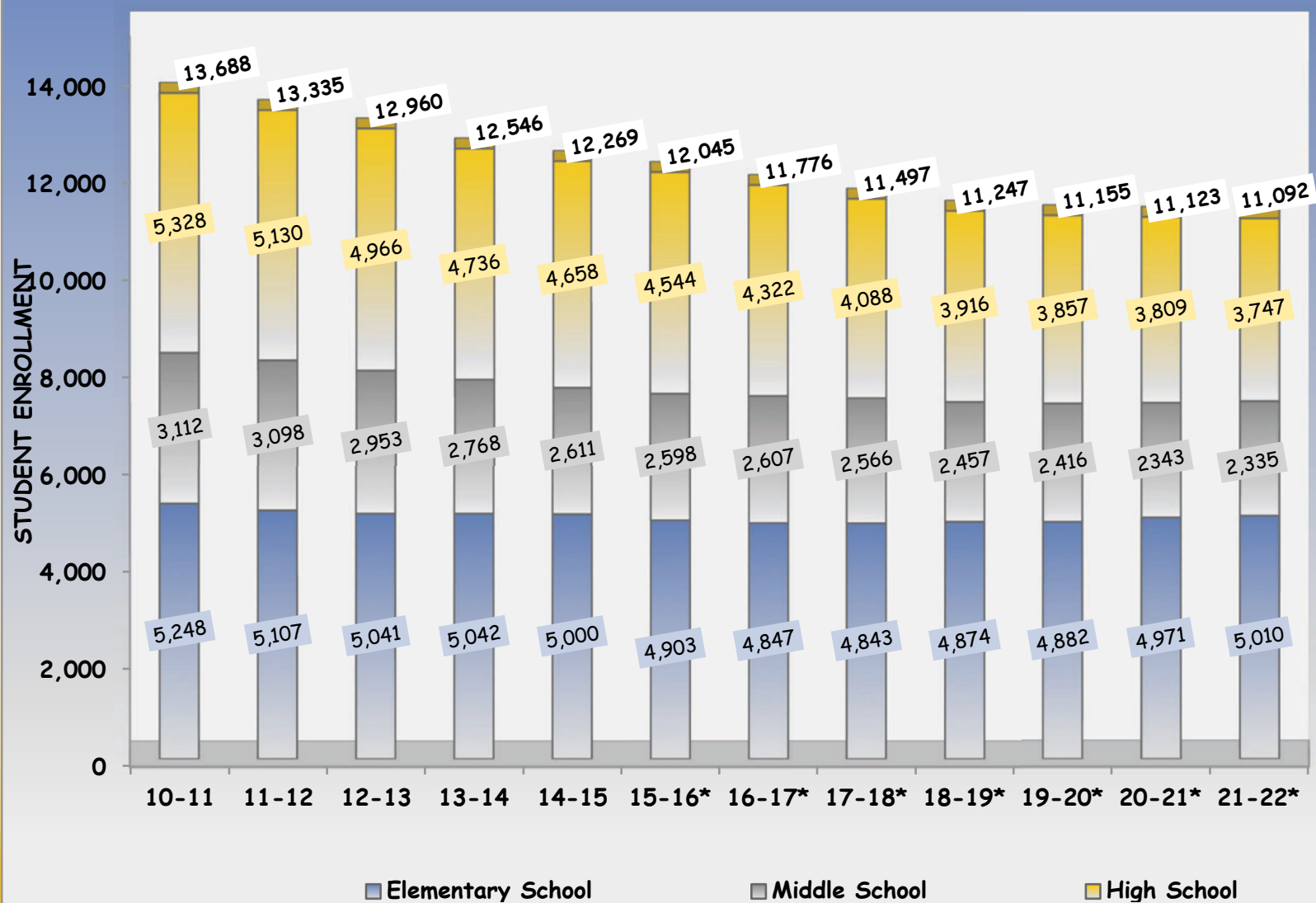
Certification is for the current fiscal year and subsequent two fiscal years.

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

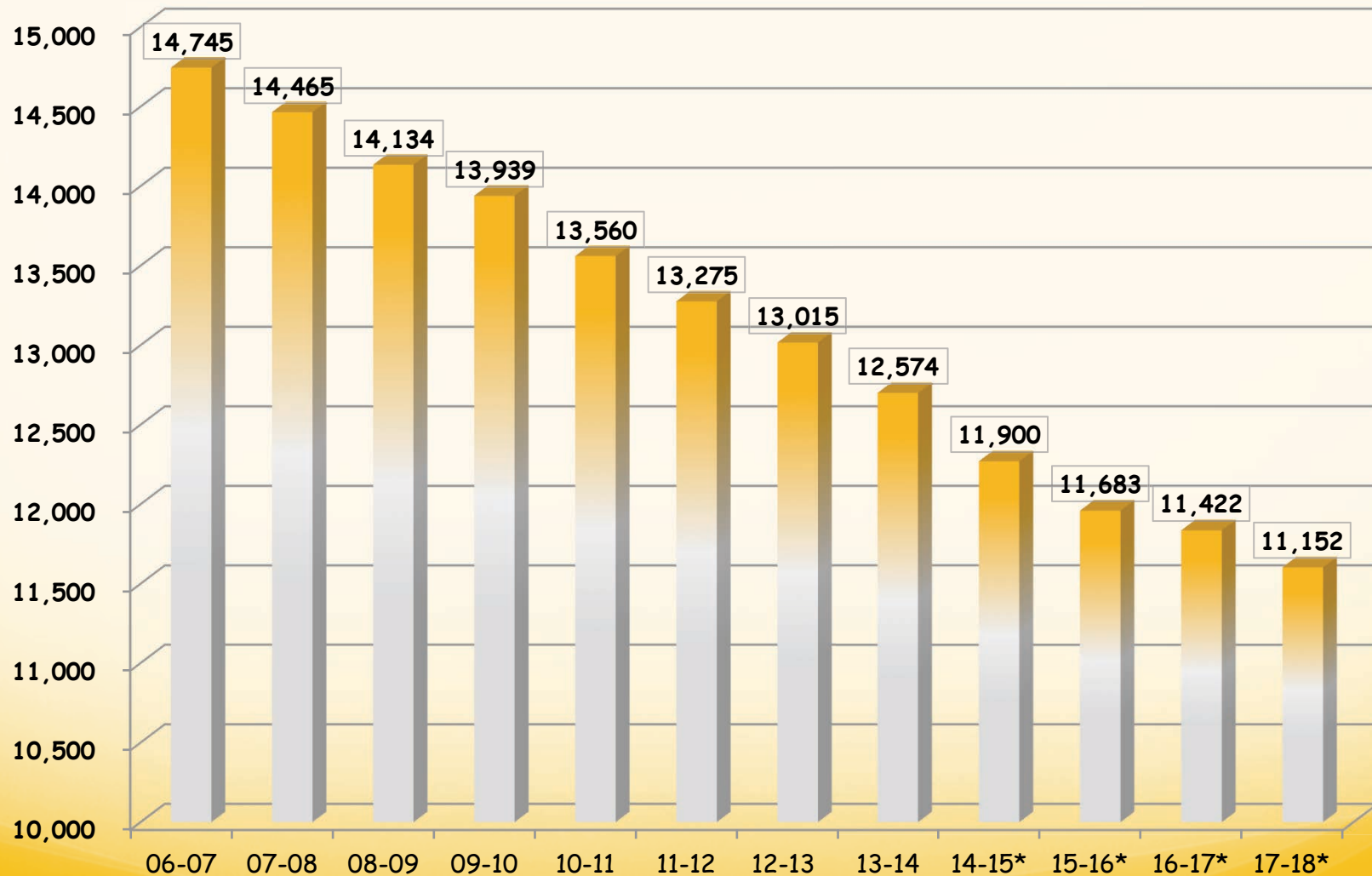
Enrollment Data Projections for Grades K-12



Footnote:

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

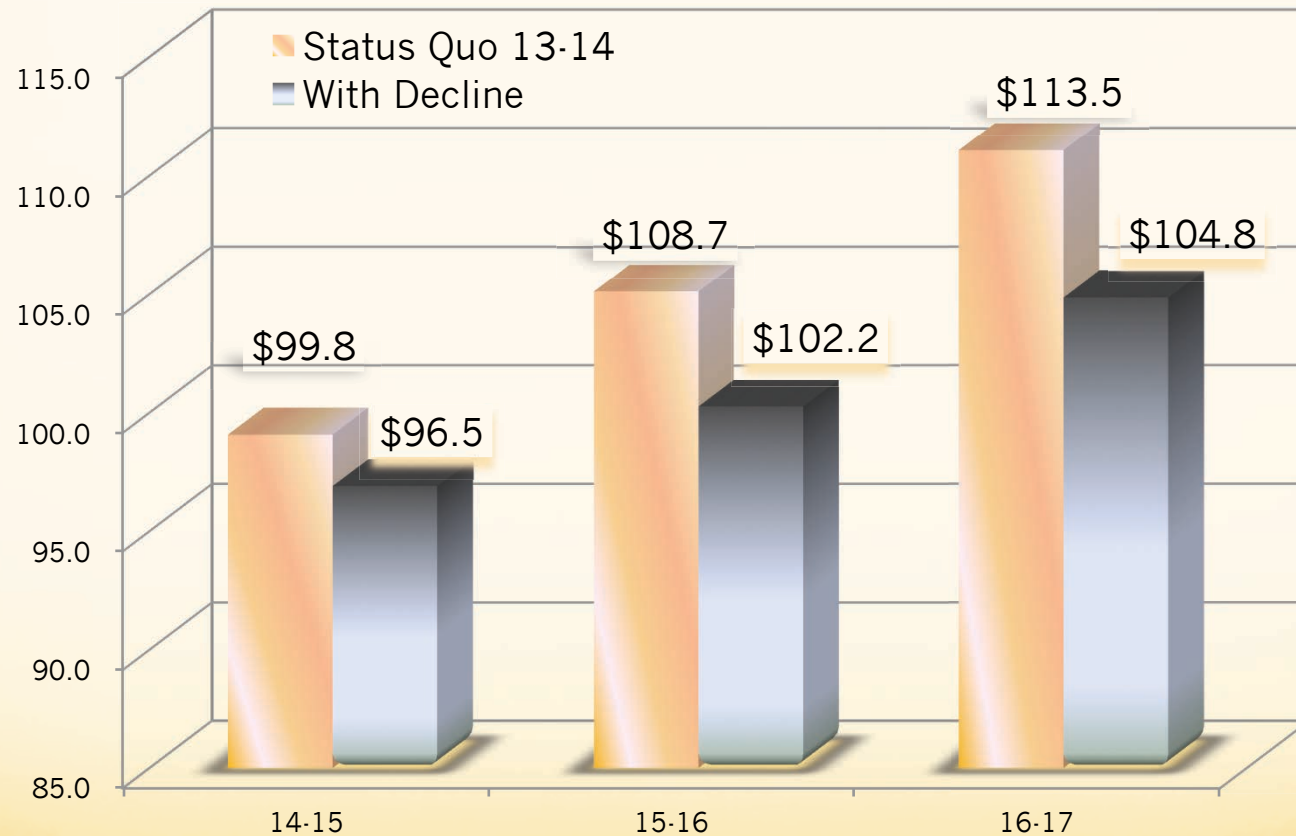
Covina-Valley Unified School District Average-Daily-Attendance (ADA)



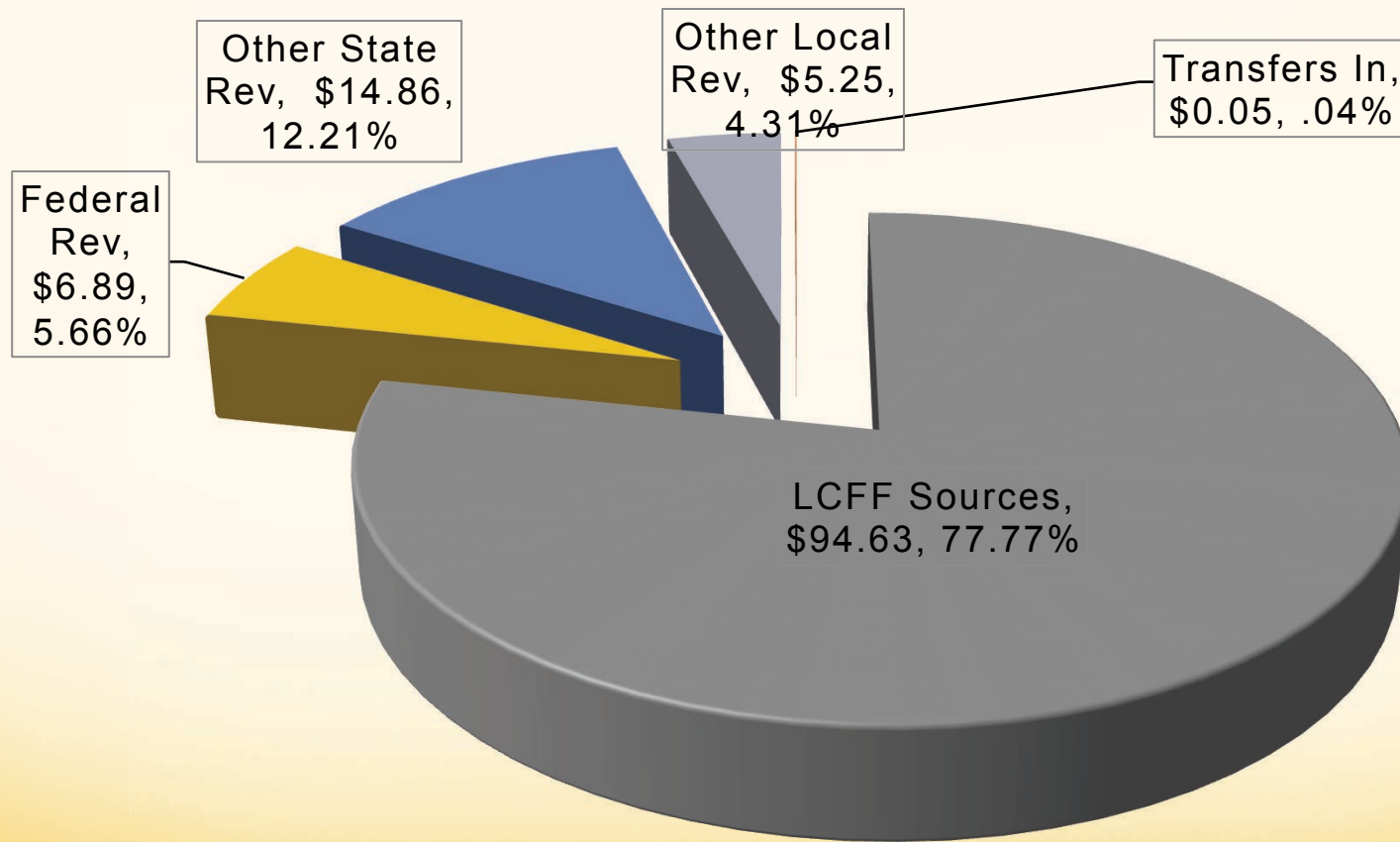
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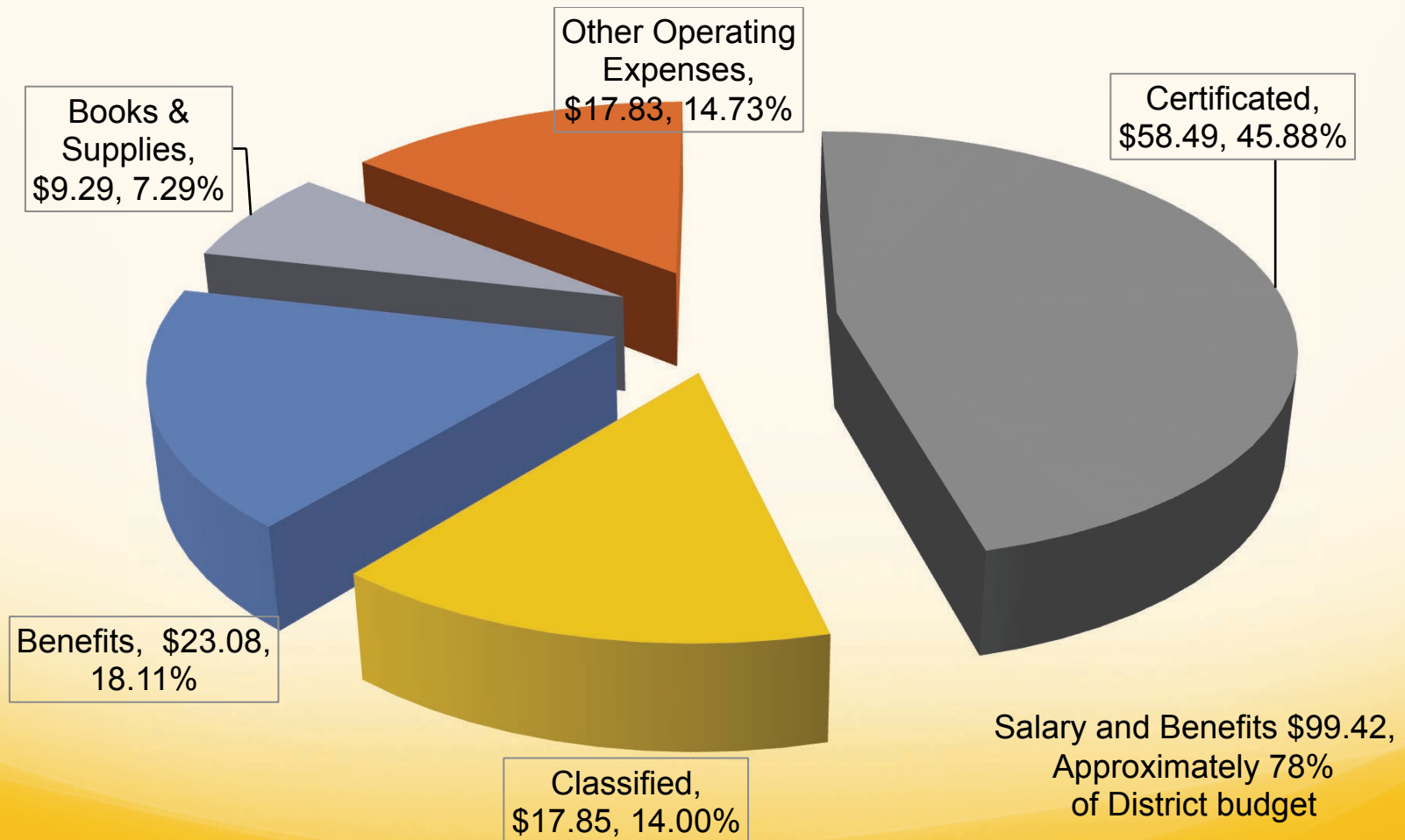
The bar graph shown below illustrates the loss of District Base Funding (LCFF) to be estimated at \$18.5 million over a three-year period.



General Fund (2014-15)
Unrestricted & Restricted Revenues: \$121,685,346
(Amounts shown in millions)



General Fund (2014-15)
Unrestricted & Restricted Expenditures: \$127,480,239
(Amounts shown in millions)



2014-15 State Budget Updates

- Unemployment rate has declined to 6.9% as of February 2015.
- California's revenue position for the first eight months of Fiscal Year 2014-15-\$1 billion ahead of DOF projections.
- California's expenditure position for the first eight months of Fiscal Year 2014-15- \$300 million over what was expected to be expended at the Budget Act.

State Revenues

July-February 2015

(in millions)

Revenue Source	Actual Revenues	Budget Act	Budget Act Over (Under)
Corp Tax	4,006.0	3,933.1	72.9
Personal Inc. Tax	44,735.9	44,177.7	558.2
Retail Sales & Use Tax	15,345.2	15,002.8	342.4
Other Revenues	2,260.4	2,220.0	40.4
<u>Non-Revenue</u>	<u>1,710.1</u>	<u>1,764.7</u>	<u>(54.6)</u>
Total Receipts	68,057.6	67,098.3	959.2

State Disbursements

July-February 2015

(in millions)

Program	Actual Disbursements	Budget Act	Budget Act Over (Under)
Local Assistance	58,835.1	58,220.3	(614.7)
State Operations	20,782.4	21,010.2	227.8
Other	2,219.6	2,306.3	86.7
Total	81,837.1	81,536.9	(300.2)

Fiscal Year: 2014-15

Working Assumptions

Revenues

- COLA 0.85%
- Decline in funded ADA of 415
- LCFF Gap Funding is budgeted at 29.15%

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 1.58%
- Decline in funded ADA of 340
- LCFF Gap Funding is budgeted at 32.19%
- 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 2.17%
- Decline in funded ADA of 219
- LCFF Gap Funding is budgeted at 23.71%

Expenditures

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

Multi-Year Budget Projections

	Second Interim 2014-15	Projected 2015-16	Projected 2016-17
Beginning Fund Balance	\$19,244,230	\$13,459,596	\$14,973,923
Audit Adjustment/Restatement			
Revised Fund Balance	\$19,254,490	\$13,459,596	\$14,973,923
Annual Revenues (includes other financing sources)	\$121,685,346	\$126,532,489	\$129,279,731
Annual Expenditures (includes other financing sources)	\$127,480,240	\$125,018,162	\$126,602,973
Changes in Fund Balance	(\$5,794,893)	\$1,514,327	\$2,676,758
Projected Ending Fund Balance	\$13,549,596	\$14,973,923	\$17,650,681
I. Unavailable Reserves:	\$6,049,053	\$7,037,413	\$8,184,384
1.) Nonspendable:			
1. Revolving Cash	\$35,000	\$35,000	\$35,000
2. Inventory	\$56,737	\$56,737	\$56,737
2.) Restricted Program Balances	\$6,140,790	\$7,129,150	\$8,276,121
3.) Assigned	\$821,585	\$2,947,722	\$3,615,906
II. Total Unrestricted Fund Balance	\$6,405,484	\$4,805,314	\$5,666,917
1.) Reserve for Economic Uncertainty (3%)	\$3,824,408	\$3,750,545	\$3,798,090
2.) Available Reserves	\$2,581,076	\$1,054,770	\$1,868,827
III. Available Reserves (Unrestricted Fund)	5.02%	3.84%	4.48%

SELPA Administrative Unit (Fund 01.1)

	Second Interim 2014-15	Projected 2015-16	Projected 2016-17
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 29.15%
 - 15-16 32.19%
 - 16-17 23.71%
- Student Enrollment Decline
- Competing demands for funding
- Unfunded Pension Liability
 - STRS \$73.7 b
 - PERS \$49.9 b
 - Add'l Contributions
- Affordable Care Act/Sick Leave for All Act
- Sun-setting of Prop. 30
 - Sales Tax 2016
 - Income Tax 2018

STRS and PERS Rates Increase and Projected Additional Expenditures

STRS	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>TOTAL</u>
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>
Add'l Expenditures	<u>\$371,166</u>	<u>\$1,463,760</u>	<u>\$2,560,465</u>	<u>\$4,395,391</u>

PERS				
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>
Add'l Expenditures	<u>\$71,855</u>	<u>\$254,699</u>	<u>\$788,109</u>	<u>\$1,114,663</u>

TOTAL Expenditures				\$5,510,054
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Sections VIII and IX

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

Next Steps - Second Interim Report

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

Thank you!
Comments and Questions...