



COVINA-VALLEY

UNIFIED SCHOOL DISTRICT

"Success For All!"

2015-16
First Interim Report



December 7, 2015

Contributors

- Dr. Richard Sheehan, Superintendent
- Jennifer Root, Chief Business Officer
- Jimmy Escobar, Director of Fiscal Services
- Khrystyne Pimentel, Assistant Director of Fiscal Services
- Maureen Burns, Business Services Supervisor

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 (2016-17 & 2017-18)

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 17th

Certification Requirements

- 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

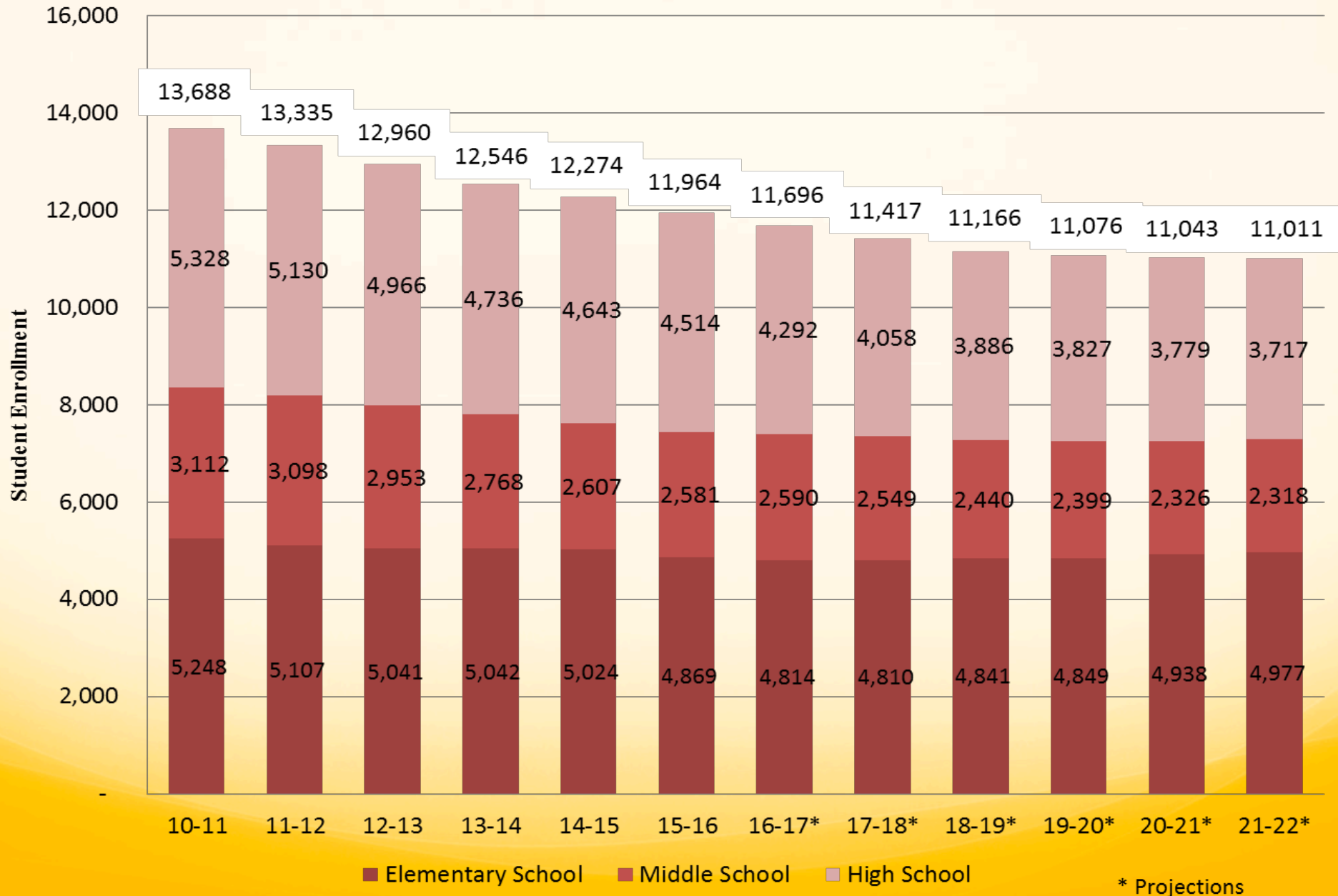
- Provide narrative disclosures of budget assumptions utilized in projections (Section I)
- Prepare supplemental documents outlining budget details (Sections II through VI)
- Provide multi-year projections (Section VII)
 - Covering periods 2015-16 through 2017-18
- Budget reports (Section VIII)
- State forms (Standardized Accounting Code Structure - SACS) (Section IX)



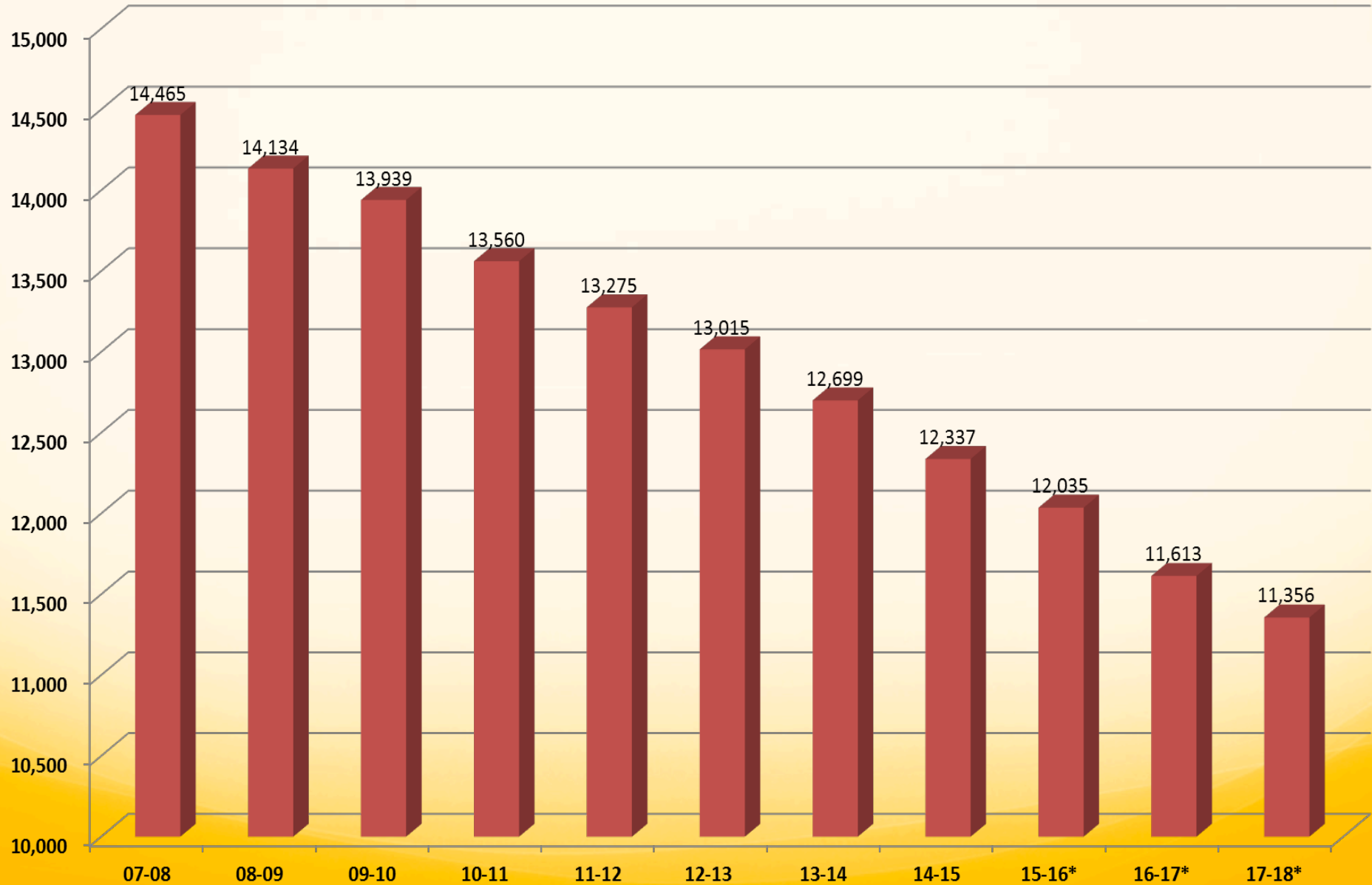
Financial Trends and Analysis

Enrollment Data

Projections for Grades TK-12



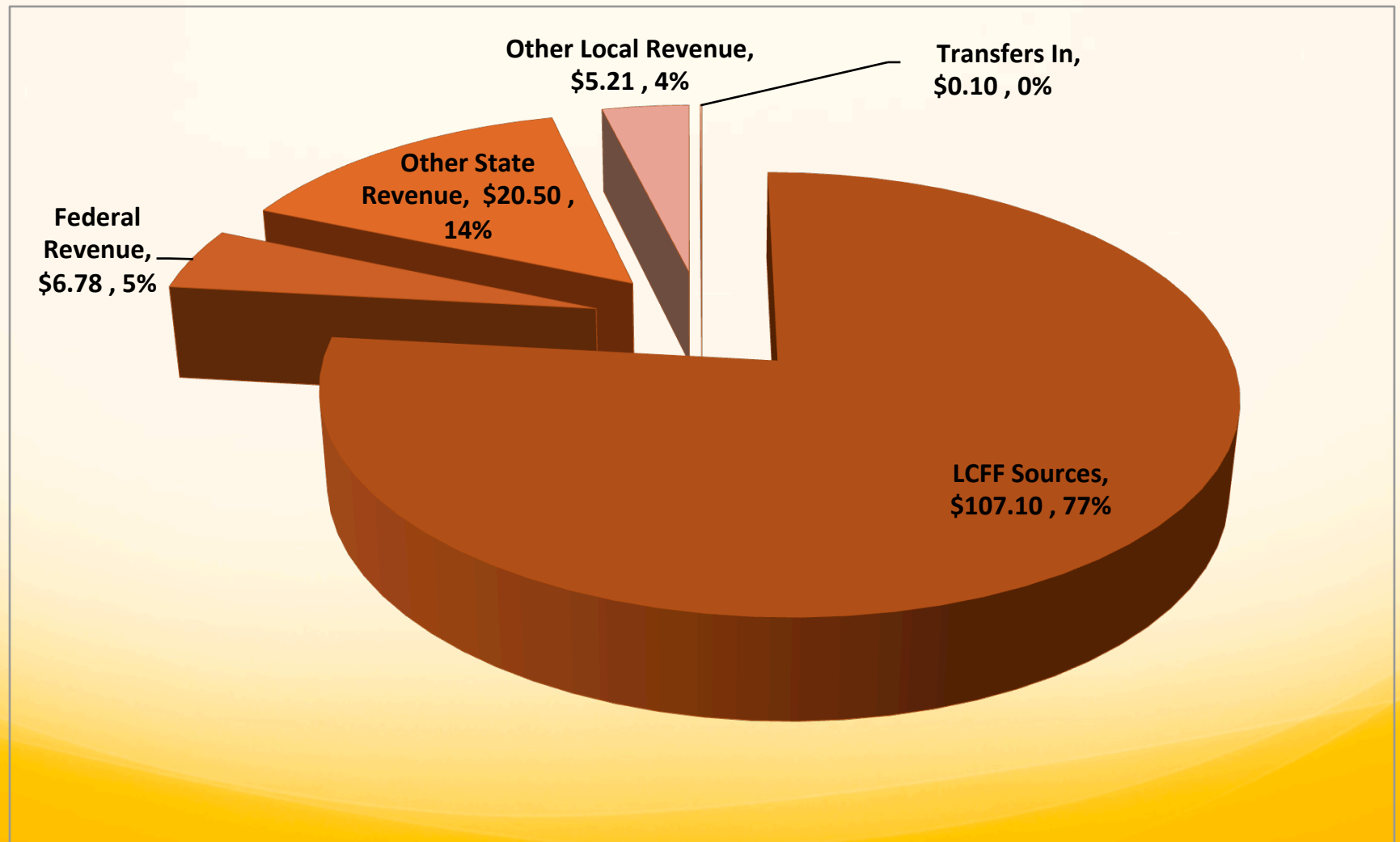
Covina-Valley Unified School District Average-Daily-Attendance (ADA)



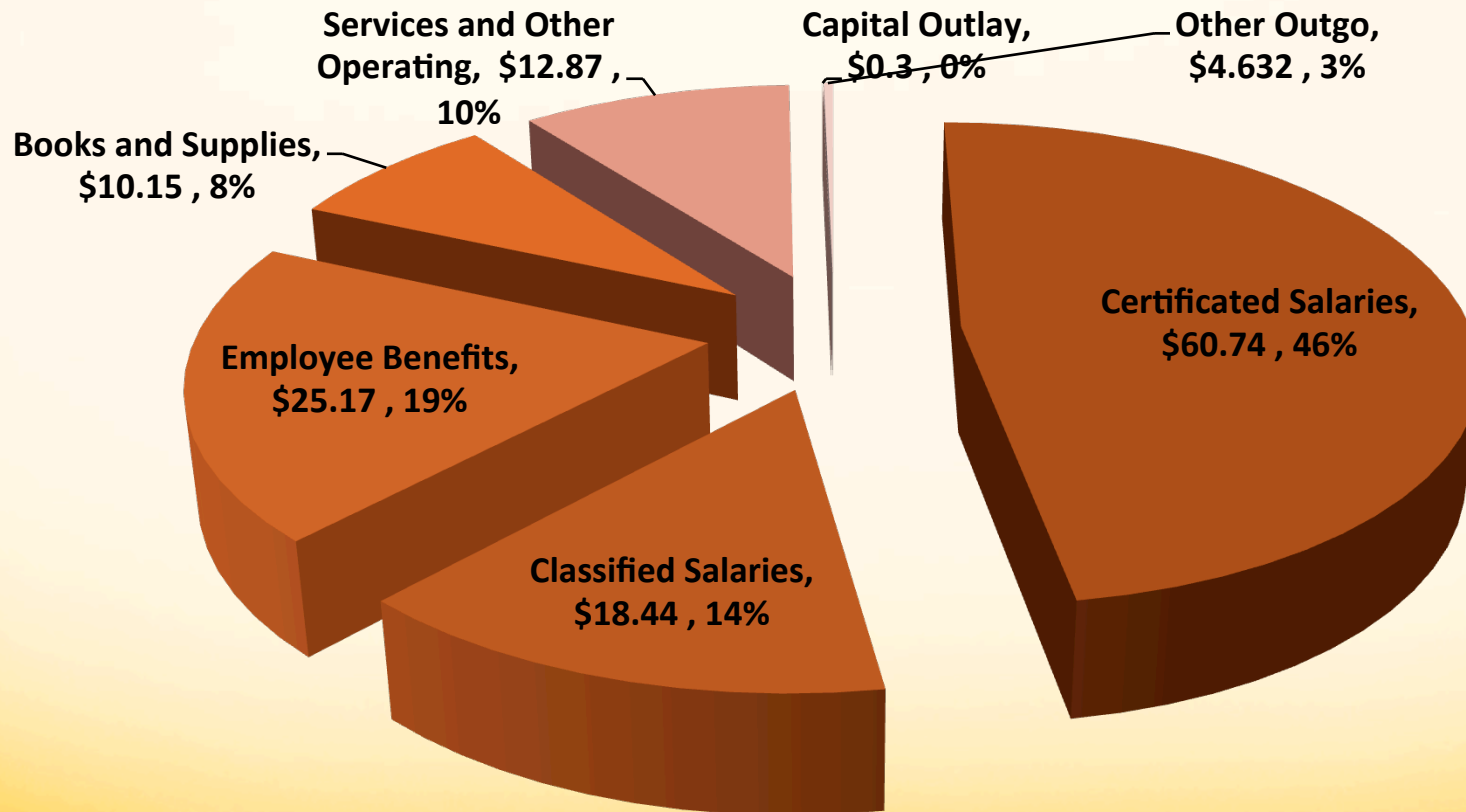
Due to State budget cuts the District has lost funding estimated at \$44.6 million since 2007-2008.

Year	Revenue Limit/ LCFF	Supplemental/ Concentration Funding	State Revenue	Total	Cumulative Funding Loss
2007-08 UA	\$80,590,817	\$0	\$13,557,472	\$94,148,289	\$0
2008-09 UA	\$73,577,796	\$0	\$12,676,721	\$86,254,517	(\$7,893,772)
2009-10 UA	\$66,446,165	\$0	\$10,189,006	\$76,635,171	(\$25,406,890)
2010-11 UA	\$68,449,786	\$0	\$11,222,256	\$79,672,042	(\$39,883,137)
2011-12 UA	\$66,463,000	\$0	\$12,451,777	\$78,914,777	(\$55,116,649)
2012-13 UA	\$65,920,632	\$0	\$15,628,810	\$81,549,442	(\$67,715,496)
2013-14 UA	\$86,549,158	\$1,212,396	\$2,511,843	\$90,273,397	(\$71,590,388)
2014-15 UA	\$88,978,675	\$7,396,186	\$3,266,676	\$99,641,537	(\$66,097,140)
2015-16 FI	\$92,630,389	\$14,474,070	\$8,535,290	\$115,639,749	(\$44,605,680)

2015-16 General Fund
Unrestricted & Restricted Revenues: \$139,687,975
(Amounts shown in millions)



2015-16 General Fund
Unrestricted & Restricted Expenditures: \$132,297,518
(Amounts shown in millions)



2015-16 State Budget Updates

- Unemployment rate has declined to 5.8% as of October 2015.
- State of California, expected to spend \$50.54 billion in 2015-16 on TK-12 education, \$5.05 billion over last fiscal year.

State Revenues

July-October 2015

(in thousands)

Revenue Source	Actual Revenues	Budget Act	Budget Act Over (Under)
Corporate Tax	1,465,206	1,655,597	(190,391)
Personal Income Tax	20,456,611	19,615,912	840,699
Retail Sales & Use Tax	6,577,697	6,958,839	(381,142)
Other Revenues	1,331,628	1,057,894	273,734
Non-Revenue	427,454	409,043	18,411
Total Receipts	30,258,596	29,697,285	561,311

State Disbursements

July-October 2015

(in thousands)

Program	Actual Disbursements	Budget Act	Budget Act Over (Under)
Local Assistance	30,793,750	30,807,286	(13,536)
State Operations	11,250,787	11,511,250	(260,463)
Other	43,724,964	44,195,531	(470,567)
Total Receipts	85,769,501	86,514,067	(744,566)

Fiscal Year: 2015-16

Working Assumptions

Revenues

- COLA 1.02%
- Decline in funded ADA of 302
- LCFF Gap Funding is budgeted at 51.52%
- Updated Lottery for TK-12 enrollment decline and loss of ROP/Adult

Education Funded ADA

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: 2016-17

Working Assumptions

Revenues

- COLA 1.60%
- Decline in funded ADA of 422
- LCFF Gap Funding is budgeted at 35.55%

Expenditures

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

Fiscal Year: 2017-18

Working Assumptions

Revenues

- COLA 2.48%
- Decline in funded ADA of 257
- LCFF Gap Funding is budgeted at 35.11%

Expenditures

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

Reserve for Economic Uncertainty

	2015-16	*	2016-17	*	2017-18	*
Assigned Fund Balance	\$ 5,937,035	4%	\$ 6,902,555	5%	\$ 8,563,150	6%
Unassigned Fund Balance	9,807,900	7%	8,655,787	6%	5,833,559	4%
Minimum Reserve	3,968,926	3%	4,021,970	3%	4,112,423	3%
Reserve Exceeding Minimum Reserve	11,776,009	9%	11,536,372	9%	10,284,286	8%
* Represents percentage of total General Fund Expenditures						

- The additional amount in the District's reserve is consistent with the reserve that Covina-Valley has typically held. This reserve is included to protect the integrity of the budget due to any changes in the corresponding data which would impact the amount of revenue the District receives. This could include variations in ADA or unduplicated percentages which are both factors in the calculation of revenue.

Multi-Year Budget Projections

	First Interim	Projected	Projected
	2015-16	2016-17	2017-18
Beginning Fund Balance	\$15,239,537	\$22,629,994	\$21,680,318
Audit Adjustment/Restatement	-	-	-
Revised Fund Balance	\$15,239,537	\$22,629,994	\$21,680,318
Annual Revenues (includes other financing sources)	\$139,687,975	\$133,115,987	\$134,462,411
Annual Expenditures (includes other financing sources)	\$132,297,518	\$134,065,663	\$137,080,746
Changes in Fund Balance	\$7,390,457	(\$949,676)	(\$2,618,335)
Projected Ending Fund Balance	\$22,629,994	\$21,680,318	\$19,061,983
I. Unavailable Reserves:	\$6,885,059	\$6,121,976	\$4,665,274
1.) Nonspendable:			
a. Revolving Cash	\$35,000	\$35,000	\$35,000
b. Inventory	\$77,974	\$77,974	\$77,974
2.) Restricted Program Balances	\$6,772,085	\$6,009,002	\$4,552,300
3.) Assigned	\$5,937,035	\$6,902,555	\$8,563,150
II. Total Unrestricted Fund Balance	\$9,807,900	\$8,655,787	\$5,833,559
1.) Reserve for Economic Uncertainty (3%)	\$3,968,926	\$4,021,970	\$4,112,423
2.) Available Reserves	\$5,838,974	\$4,633,817	\$1,721,136
III. Available Reserves (Unrestricted Fund)	7.41%	6.46%	4.26%



Challenges for the District

Budget Constraints and Challenges

- Full implementation of LCFF Funding Model
 - 15-16 51.52%
 - 16-17 35.55%
 - 17-18 35.11%
- Student Enrollment Decline
- Competing demands for funding
- Unfunded OPEB Liability
 - \$8.8 Million
 - STRS/PERS significantly increasing over the next several years
 - Add'l Contributions
- Affordable Care Act/Sick Leave for All Act
- Sun-setting of Prop. 30
 - Sales Tax 2016
 - Income Tax 2018

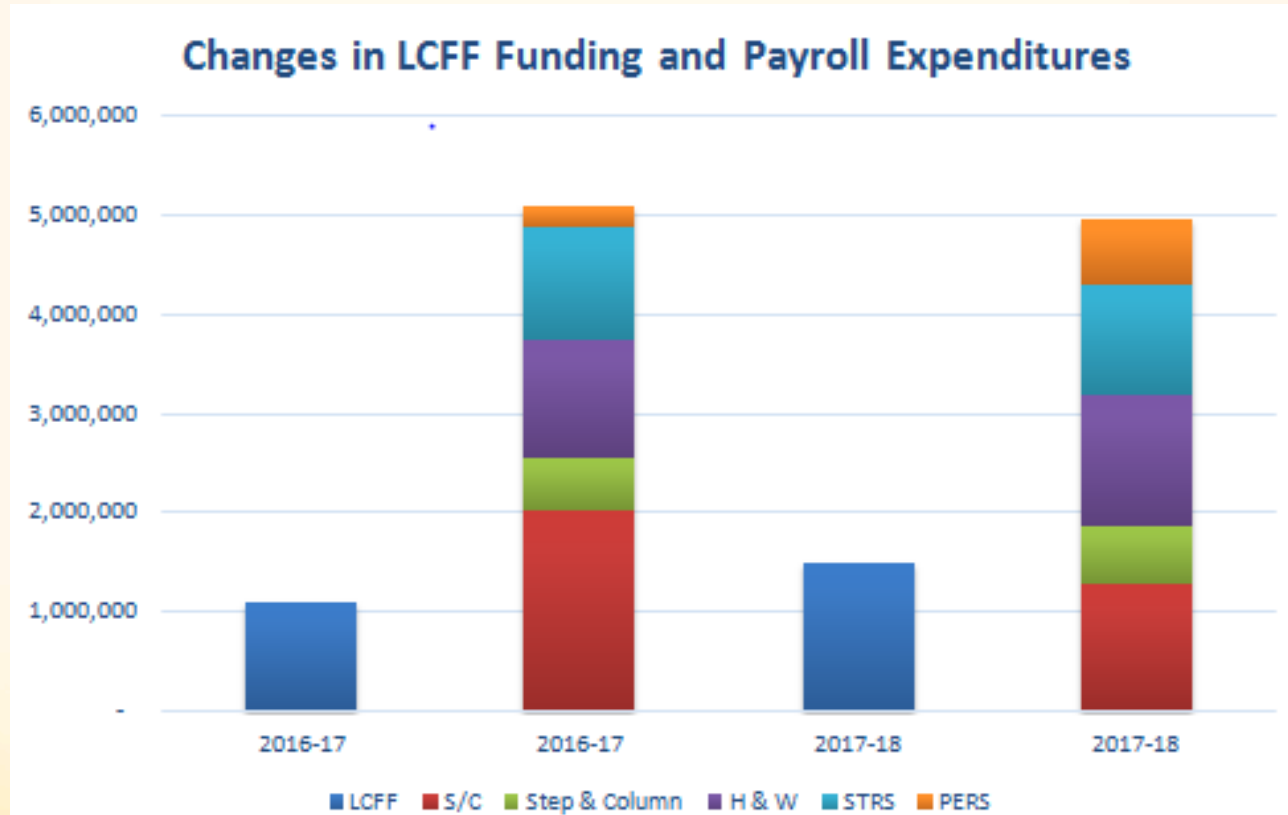
STRS Rates Increase and Projected Additional Expenditures

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>TOTAL</u>
Old Rate	8.88%	8.88%	8.88%	
New Rate	10.73%	12.58%	14.43%	
Rate Difference	<u>1.85%</u>	<u>3.70%</u>	<u>5.55%</u>	<u></u>
Add'l Expenditures	<u>\$1,234,589</u>	<u>\$2,347,881</u>	<u>\$3,454,373</u>	<u>\$7,036,843</u>

PERS Rates Increase and Projected Additional Expenditures

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>TOTAL</u>
Old Rate	11.771%	11.771%	11.771%	
New Rate	11.847%	13.050%	16.600%	
Rate Difference	<u>0.076%</u>	<u>1.279%</u>	<u>4.829%</u>	<u></u>
Add'l Expenditures	<u>\$184,117</u>	<u>\$406,337</u>	<u>\$1,066,859</u>	<u>\$1,657,313</u>

LCFF Revenue vs. Payroll Related Expenditures

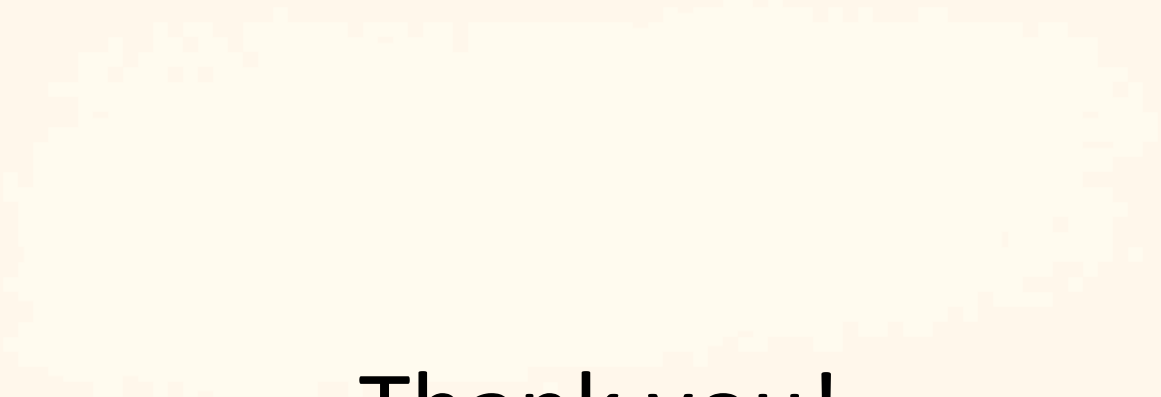


Sections VIII and IX

- 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 report to LACOE



Thank you!
Comments and Questions...