



COVINA-VALLEY

UNIFIED SCHOOL DISTRICT

"Success For All!"

**2015-16
Second Interim Report**



March 7, 2016



Contributors

- Dr. Richard M. Sheehan, Superintendent
- Jennifer Root, Chief Business Officer
- Jimmy Escobar, Director of Fiscal Services
- Khrystyne Pimentel, Assistant Director of Fiscal Services
- Maureen Burns, Fiscal 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 15th

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

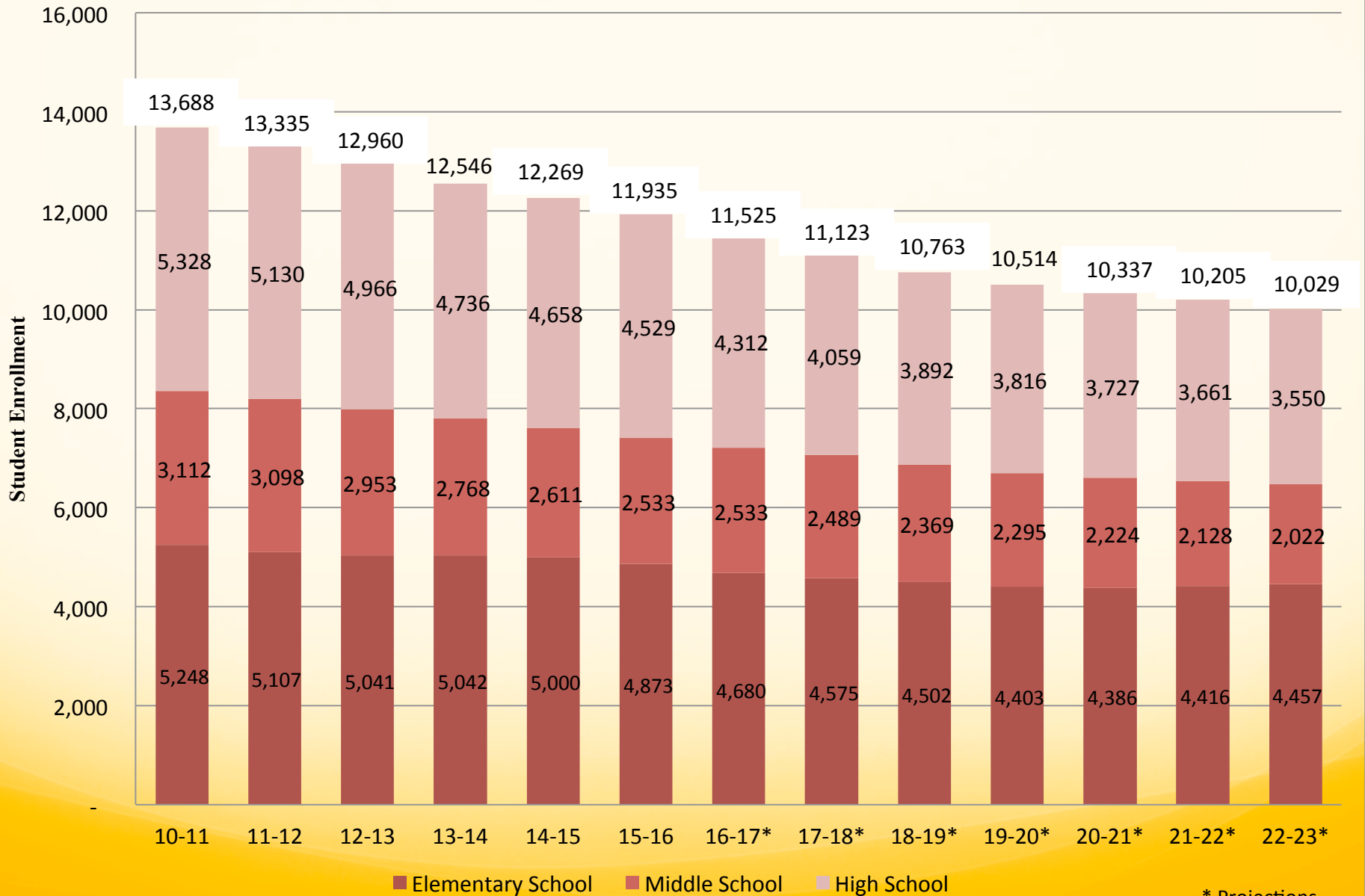
Certification is for the current fiscal year and subsequent two fiscal years.

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 - covering periods 2015-16 through 2017-18 (Section VII)
- Budget reports (Section VIII)
- State forms (Standardized Accounting Code Structure - SACS) (Section IX)

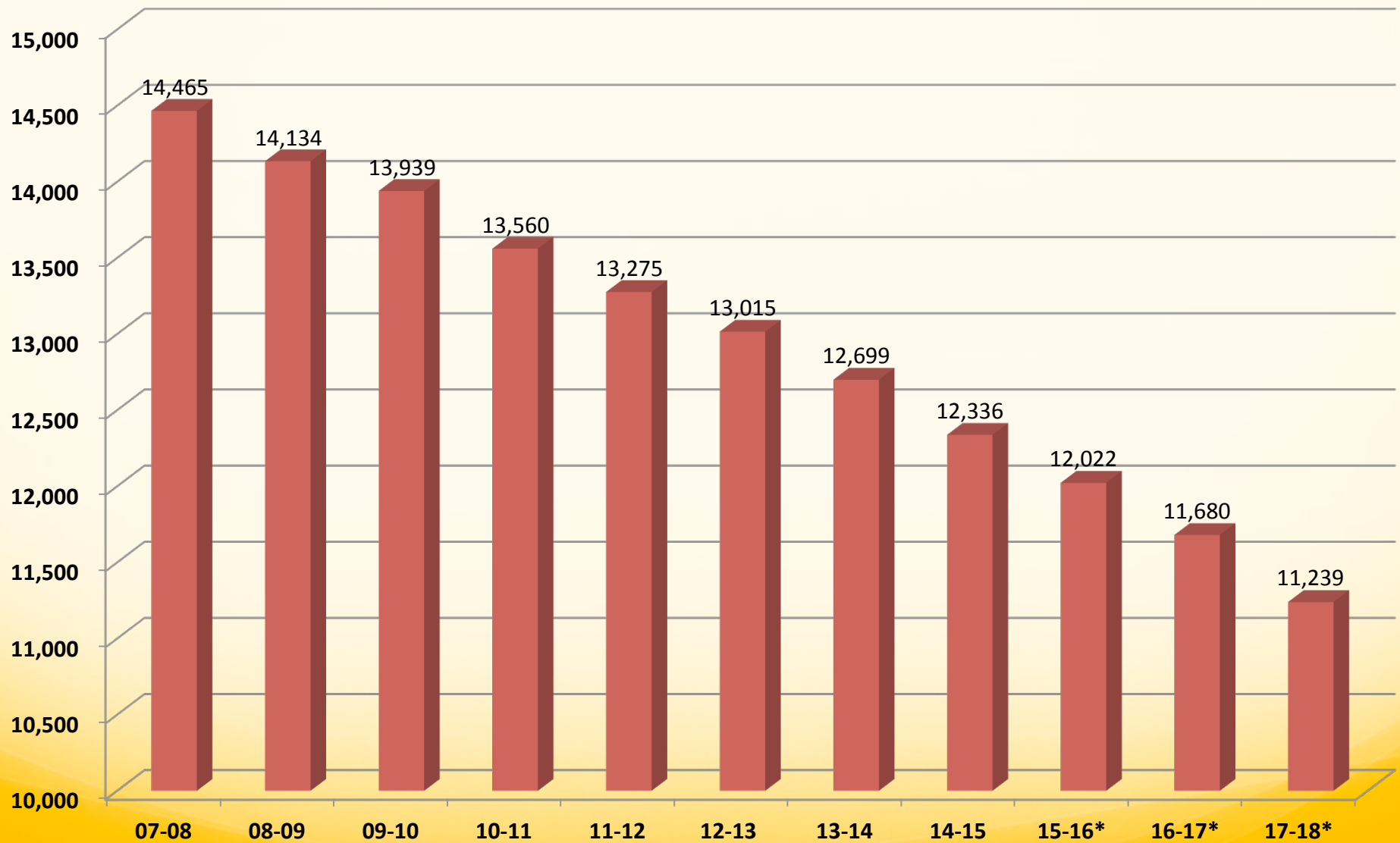
Financial Trends and Analysis

Enrollment Data Projections for Grades TK-12

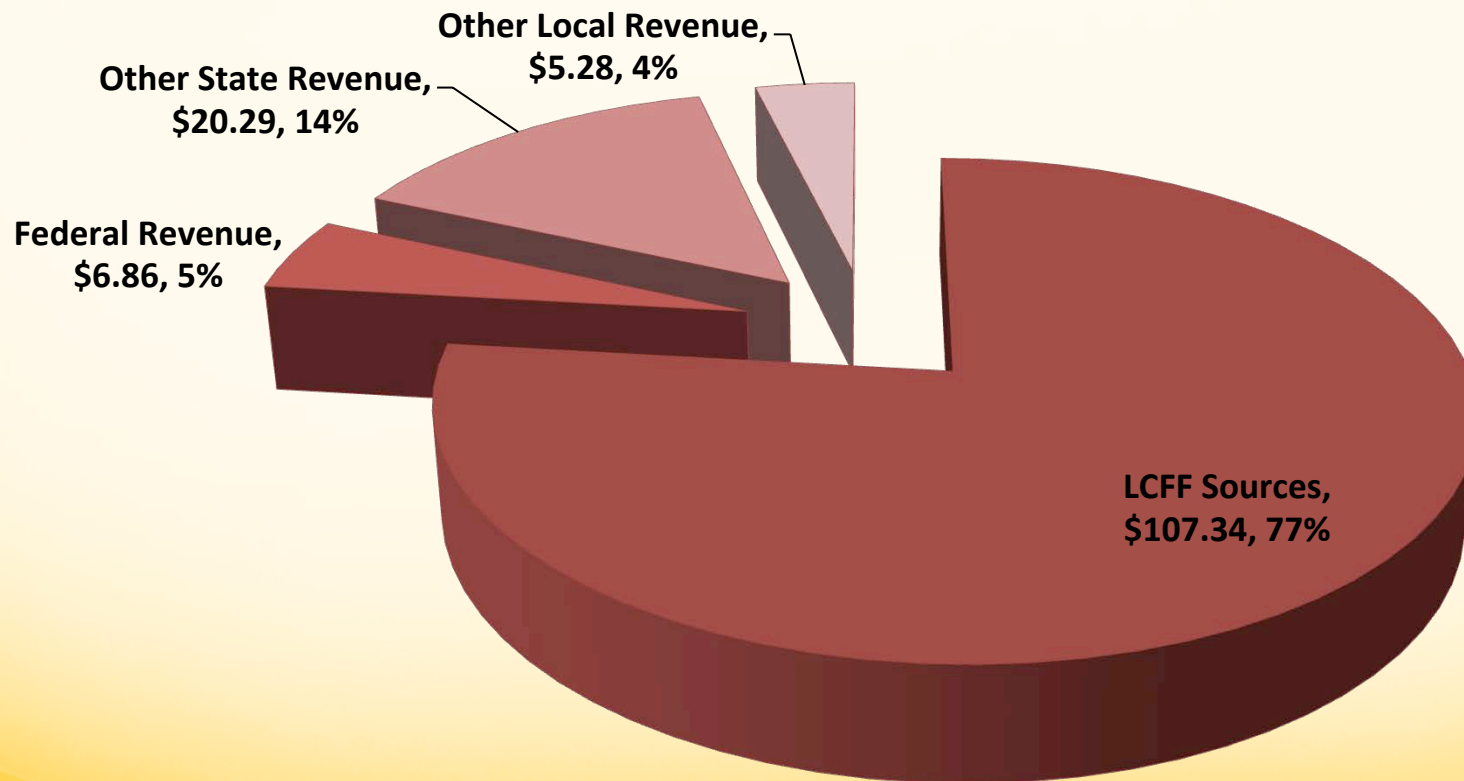


* Projections

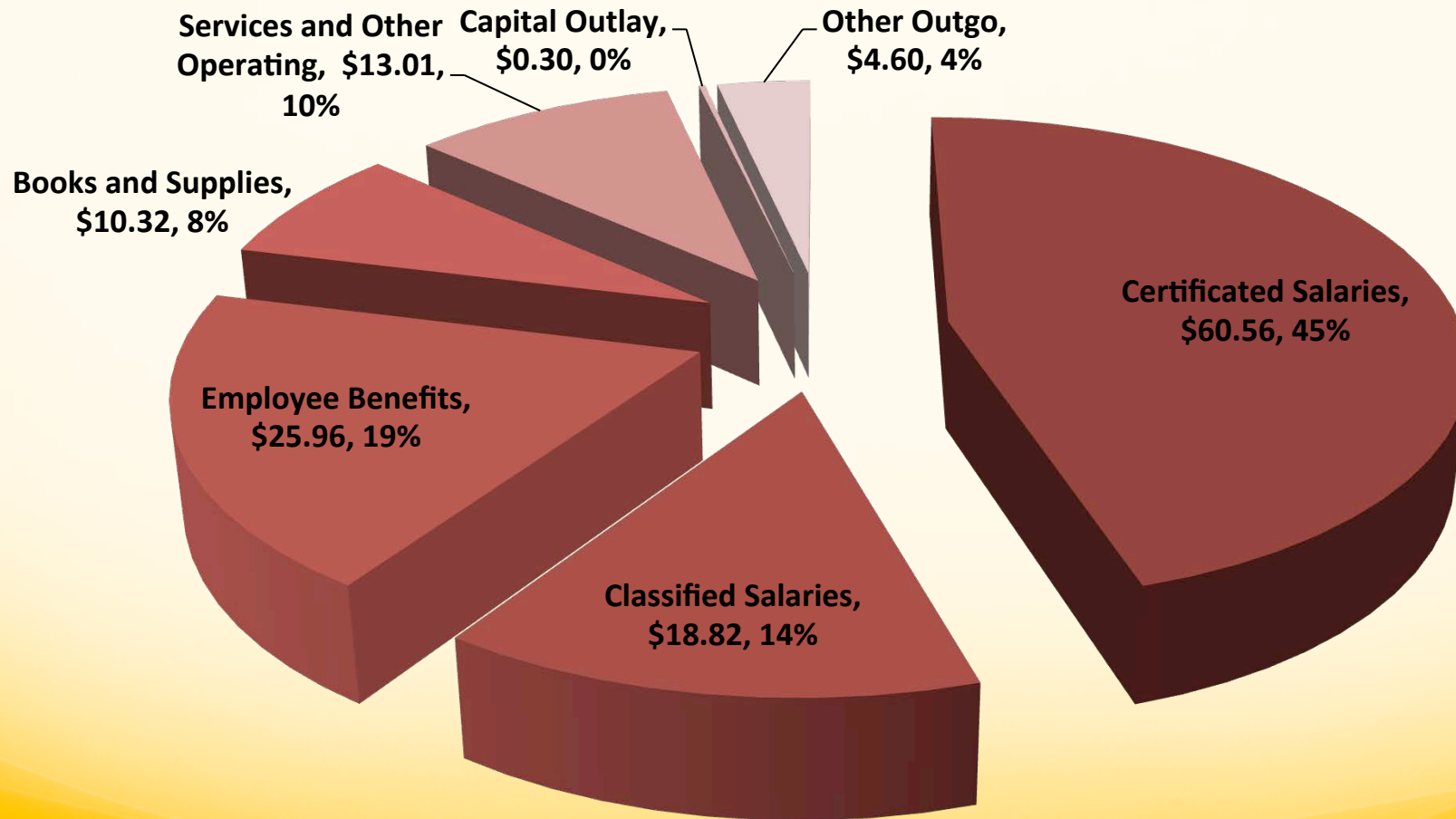
Covina-Valley Unified School District Funded ADA (Average Daily Attendance)



2015-16 General Fund
Unrestricted & Restricted Revenues: \$139,773,478
(Amounts shown in millions)



2015-16 General Fund
Unrestricted & Restricted Expenditures: \$133,568,957
(Amounts shown in millions)



2015-16 State Budget Updates

- Unemployment rate has declined to 5.8% as of December 2015.
- State of California, expected to spend \$48.34 billion in 2015-16 on TK-12 education, \$2.58 billion over last fiscal year.

State Revenues

July 2015 - January 2016

(in thousands)

Revenue Source	Actual Revenues	Budget Act	Budget Act Over (Under)
Corporate Tax	3,630,453	3,469,533	160,920
Personal Income Tax	45,458,432	45,672,912	(214,480)
Retail Sales & Use Tax	12,688,561	12,850,720	(162,159)
Other Revenues	2,326,057	2,255,812	70,245
Non-Revenue	1,027,821	966,770	61,051
Total Receipts	65,131,324	65,215,747	(84,423)

State Disbursements

July 2015 - January 2016

(in thousands)

Program	Actual Disbursements	Budget Act	Budget Act Over (Under)
Local Assistance	55,166,045	56,009,929	(843,884)
State Operations	18,173,506	18,331,060	(157,554)
Other	2,590,561	2,530,796	59,765
Total Disbursements	75,930,112	76,871,785	(941,673)

Fiscal Year: 2015-16

Working Assumptions

Revenues

- COLA 1.02%
- Decline in funded ADA of 314
- LCFF Gap Funding is budgeted at 51.97%
- 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 0.47%
- Decline in funded ADA of 342
- LCFF Gap Funding is budgeted at 49.08%

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 2.13%
- Decline in funded ADA of 441
- LCFF Gap Funding is budgeted at 45.34%

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	\$ 5,963,219	5%	\$ 10,576,923	8%	\$ 13,566,825	10%
Unassigned Fund Balance	4,706,187	4%	3,568,974	3%	621,301	0%
Minimum Reserve	4,011,656	3%	4,045,975	3%	4,093,555	3%
Reserve Exceeding Minimum Reserve	6,657,750	5%	10,099,922	8%	10,094,571	7%
* 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

	Second Interim	Projected	Projected
	2015-16	2016-17	2017-18
Beginning Fund Balance	\$15,239,537	\$21,391,155	\$23,945,577
Audit Adjustment/Restatement	-	-	-
Revised Fund Balance	\$15,239,537	\$21,391,155	\$23,945,577
Annual Revenues (includes other financing sources)	\$139,873,478	\$137,420,233	\$134,879,588
Annual Expenditures (includes other financing sources)	\$133,721,860	\$134,865,811	\$136,451,810
Changes in Fund Balance	\$6,151,618	\$2,554,422	(\$1,572,222)
Projected Ending Fund Balance	\$21,391,155	\$23,945,577	\$22,373,355
I. Unavailable Reserves:	\$6,710,093	\$5,753,705	\$4,091,674
1.) Nonspendable:			
a. Revolving Cash	\$35,000	\$35,000	\$35,000
b. Inventory	\$77,974	\$77,974	\$77,974
2.) Restricted Program Balances	\$6,597,119	\$5,640,731	\$3,978,700
3.) Assigned	\$5,963,219	\$10,576,923	\$13,566,825
II. Total Unrestricted Fund Balance	\$8,717,843	\$7,614,949	\$4,714,856
1.) Reserve for Economic Uncertainty (3%)	\$4,011,656	\$4,045,975	\$4,093,555
2.) Available Reserves	\$4,706,187	\$3,568,974	\$621,301
III. Available Reserves (Unrestricted Fund)	6.53%	5.65%	3.46%

Challenges for the District

Budget Constraints and Challenges

- Full implementation of LCFF Funding Model
 - 15-16 51.97%
 - 16-17 49.08 %
 - 17-18 45.34%
- 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
- Sick Leave for All Act
- Sun-setting of Prop. 30
 - Sales Tax 2016
 - Income Tax 2018

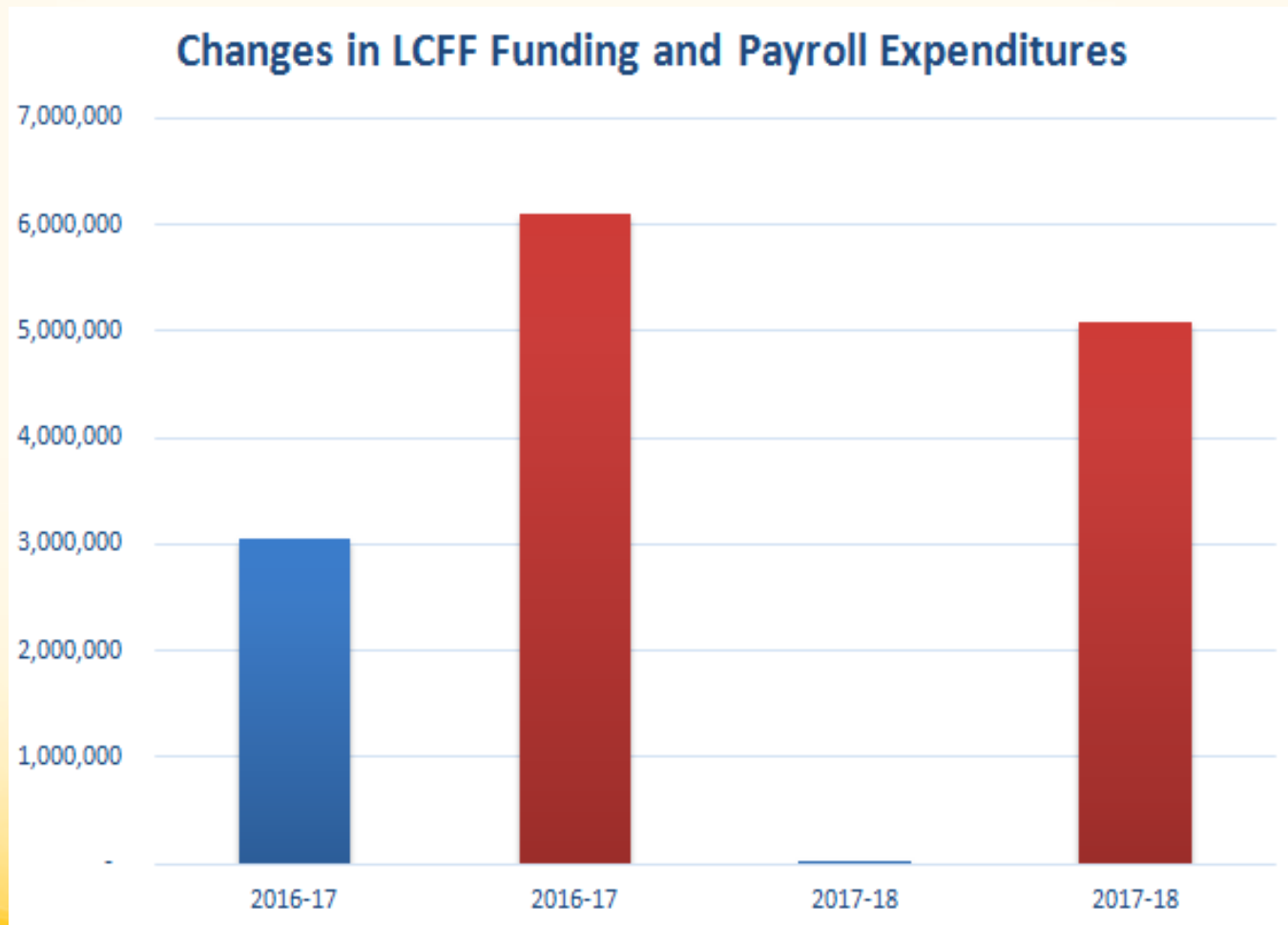
STRS Rates Increase and Projected Additional Expenditures

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
New Rate	10.73%	12.58%	14.43%
Rate Increase From Prior Year	<u>1.85%</u>	<u>1.85%</u>	<u>1.85%</u>
New Expenditures	<u>\$1,120,285</u>	<u>\$1,107,516</u>	<u>\$1,081,583</u>

PERS Rates Increase and Projected Additional Expenditures

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
New Rate	11.847%	13.050%	16.600%
Rate Increase From Prior Year	<u>0.076%</u>	<u>1.203%</u>	<u>3.550%</u>
New Expenditures	<u>\$143,028</u>	<u>\$222,559</u>	<u>\$648,987</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 – 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 report to LACOE

Thank you!
Comments and Questions...