

Adopted Budget 2016-2017



COVINA-VALLEY
UNIFIED SCHOOL DISTRICT

"Success For All!"

Contributors

- Richard M. Sheehan, Ed.D., Superintendent
- Jennifer Root, Chief Business Officer
- Jimmy Escobar, Director of Fiscal Services
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Reporting Requirements

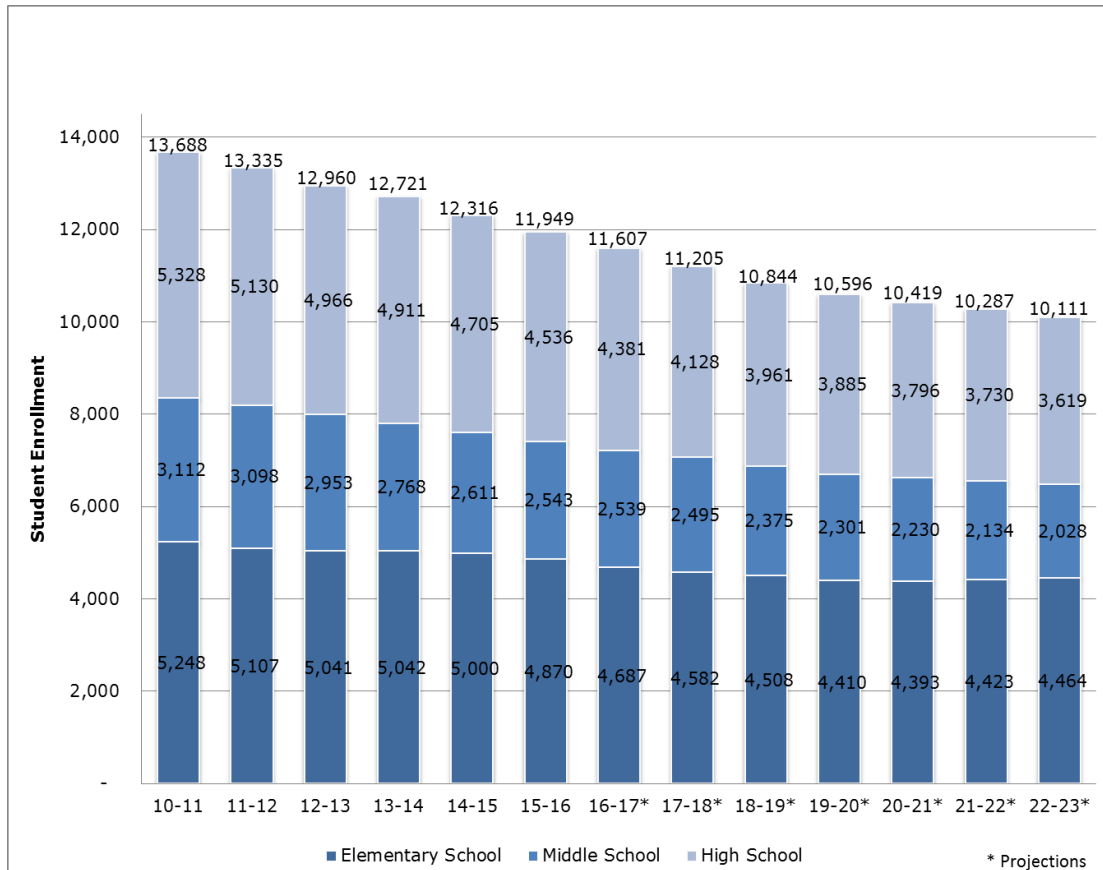
- Board members must authorize an operating budget by June 30th of each year
- The Local Control Accountability Plan must be approved in advance of the annual budget
- Los Angeles County Office of Education
 - CDE designee to approve the District Budget

Disclosure Requirements

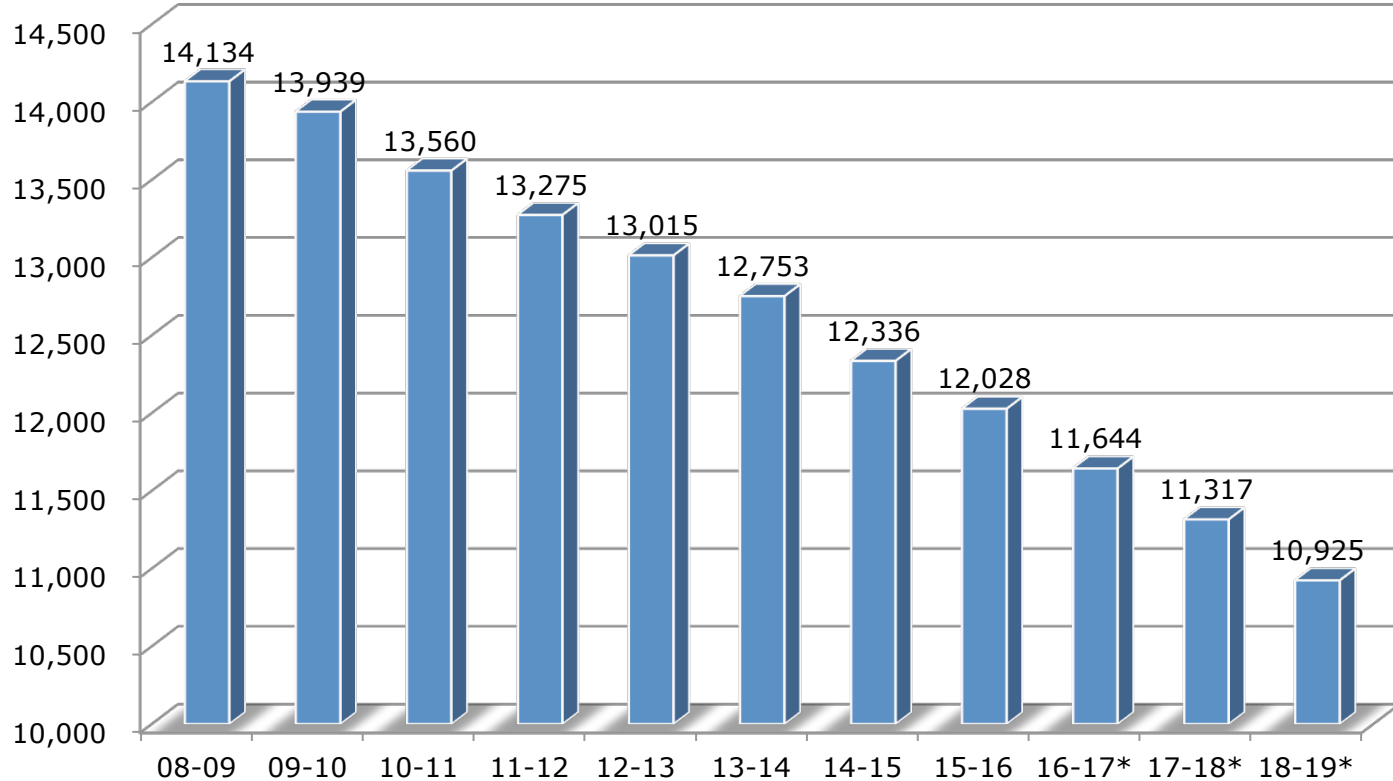
- Provide narrative disclosures of budget assumptions utilized in projections (Section I)
- Prepare supplemental documents outlining budget details (Sections II through VI)
- Provide multi-year projections (Section VII)
 - Covering periods 2016-17 through 2018-19
- Budget reports (Section VIII)
- State forms (Standardized Accounting Code Structure - SACS) (Section IX)

Financial Trends & Analysis

Enrollment Data Projections



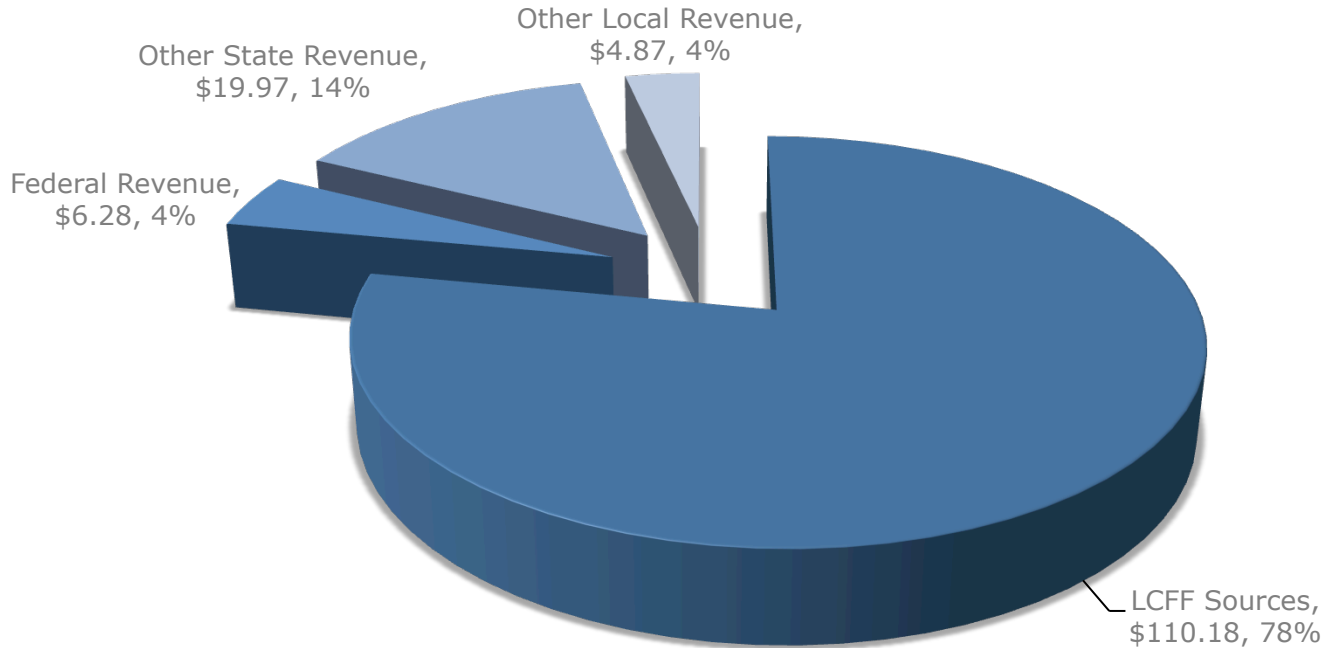
Average Daily Attendance (ADA)



* Projected funded ADA

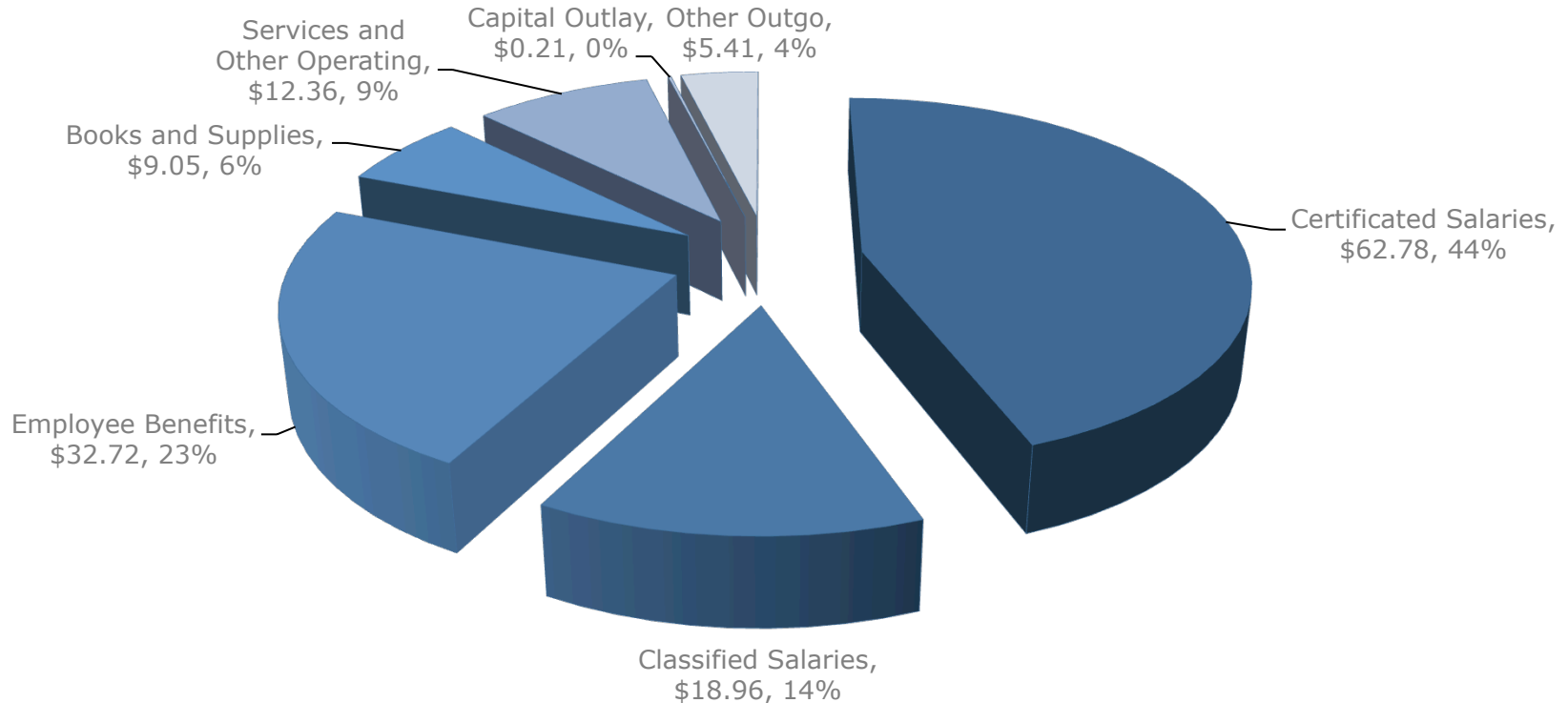
2016-17 General Fund

Unrestricted & Restricted Revenues: \$141,295,184
(Amounts shown in millions)



2016-17 General Fund

Unrestricted & Restricted Expenditures: \$141,491,179
(Amounts shown in millions)



2016-17 State Budget Updates

- Unemployment rate has declined to 5.2% as of April 2016
- State of California expects to spend \$51.44 billion in 2016-17 on TK-12 education, \$1 billion over last fiscal year

State Revenues

July 2015 – April 2016 (in thousands)

Revenue Source	Actual Revenues	Budget Act	Budget Act Over (Under)
Corporate Tax	\$ 7,508,840	\$ 7,032,502	\$ 476,338
Personal Income Tax	65,227,434	66,389,494	(1,162,060)
Retail Sales & Use Tax	18,963,719	19,181,290	(217,571)
Other Revenues	3,444,969	3,222,198	222,771
Non-Revenue	1,367,961	1,235,457	132,504
Total Receipts	<u>\$ 96,512,923</u>	<u>\$ 97,060,941</u>	<u>\$ (548,018)</u>

State Disbursements

July 2015 – April 2016 (in thousands)

Program	Actual Disbursements	Budget Act	Budget Act Over (Under)
Local Assistance	\$ 77,049,595	\$ 78,626,881	\$ (1,577,286)
State Operations	26,762,773	26,784,762	(21,989)
Other	2,573,021	2,590,877	(17,856)
Total Disbursements	<u>\$ 106,385,389</u>	<u>\$ 108,002,520</u>	<u>\$ (1,617,131)</u>

Fiscal Year: 2016-17

Working Assumptions

Revenues

- COLA 0.00%
- Decline in funded ADA of 384
- LCFF Gap Funding is budgeted at 54.84%
- Unduplicated pupil percentage of 69.52%
- Updated Lottery funding for TK-12 enrollment decline

Expenditures

- Reduction in staffing for enrollment decline
- Increase in step, column, and longevity
- Increase in health and welfare benefits
- Increase in STRS/PERS rate
- Additional General Fund contributions

Budget Assumptions for the Next Two Years

Fiscal Year: 2017-18

Working Assumptions

Revenues

- COLA 1.11%
- Decline in funded ADA of 327
- LCFF Gap Funding is budgeted at 73.96%
- Unduplicated pupil percentage of 69.40%
- Updated Lottery funding for TK-12 enrollment decline

Expenditures

- Reduction in staffing for enrollment decline
- Increase in step, column, and longevity
- Increase in health and welfare benefits
- Increase in STRS/PERS rate
- Increase in minimum wage
- Additional General Fund contributions

Fiscal Year: 2018-19

Working Assumptions

Revenues

- COLA 2.42%
- Decline in funded ADA of 392
- LCFF Gap Funding is budgeted at 41.22%
- Unduplicated pupil percentage of 69.40%
- Updated Lottery funding for TK-12 enrollment decline

Expenditures

- Reduction in staffing for enrollment decline
- Increase in step, column, and longevity
- Increase in health and welfare benefits
- Increase in STRS/PERS rate
- Increase in minimum wage
- Additional General Fund contributions

Multi-Year Projections

Unrestricted General Fund Excluding One-Time Revenue

	2016-17	2017-18	2018-19
Revenue	\$ 114,181,307	\$ 115,283,161	\$ 113,320,830
Expenditures	116,435,682	118,618,400	120,593,717
Deficit	\$ (2,254,375)	\$ (3,335,239)	\$ (7,272,887)



Structural Deficit

Reserve for Economic Uncertainty

	<u>2016-17</u>		*	<u>2017-18</u>		*	<u>2018-19</u>		*
Assigned Fund Balance	\$	7,195,420	5%	\$	6,546,488	5%	\$	3,092,743	2%
Unassigned Fund Balance		7,444,902	5%		4,740,595	3%		939,453	1%
Minimum Reserve		4,246,008	3%		4,329,766	3%		4,394,795	3%
Reserve Exceeding Minimum Reserve		3,198,894	2%		410,829	0%		(3,455,342)	-2%

* Represents percentage of total General Fund expenditures

Multi-Year Budget Projections

	Proposed Budget 2016-17	Projected 2017-18	Projected 2018-19
Beginning Fund Balance	\$20,803,075	\$20,664,692	\$16,069,654
Audit Adjustment/Restatement	-	-	-
Revised Fund Balance	\$20,803,075	\$20,664,692	\$16,069,654
Annual Revenues (includes other financing sources)	\$141,395,184	\$139,730,489	\$137,401,389
Annual Expenditures (includes other financing sources)	\$141,533,567	\$144,325,527	\$146,493,160
Changes in Fund Balance	(\$138,383)	(\$4,595,038)	(\$9,091,771)
Projected Ending Fund Balance	\$20,664,692	\$16,069,654	\$6,977,883
I. Unavailable Reserves:	\$6,024,370	\$4,764,571	\$2,945,687
1.) Nonspendable:			
a. Revolving Cash	\$35,000	\$35,000	\$35,000
b. Inventory	\$77,974	\$77,974	\$77,974
2.) Restricted Program Balances	\$5,911,396	\$4,651,597	\$2,832,713
3.) Assigned	\$7,195,420	\$6,564,488	\$3,092,743
II. Total Unrestricted Fund Balance	\$7,444,902	\$4,740,595	\$939,453
1.) Reserve for Economic Uncertainty (3%)	\$4,246,008	\$4,329,766	\$4,394,795
2.) Available Reserves	\$3,198,894	\$410,829	(\$3,455,342)
III. Available Reserves (Unrestricted Fund)	5.26%	3.29%	-2.36%

2018-19 Available Reserve

- Reasons contributing to the District's structural deficit causing the ending fund balance to fall below the 3% State reserve requirement
 - Declining enrollment of between 300-400 students in each of the budget year and two subsequent years
 - Increasing fiscal demands including CalSTRS, CalPERS, minimum wage, and health and welfare benefit increases
 - Lack of increase in revenue to meet the general cost of living increases and increasing fiscal demands

Structural Deficit

Strategies to Eliminate

- District Budget Committee to convene at the beginning of the 2016-17 fiscal year to discuss potential expenditure reductions:
 - General Expenditure Reductions
 - Reduction of non-salary expenditures
 - Staffing reductions
 - School closures
 - Negotiated Reductions
 - Furlough days
 - Health and welfare benefits employee contribution adjustment

Challenges for the District

Challenges for the District

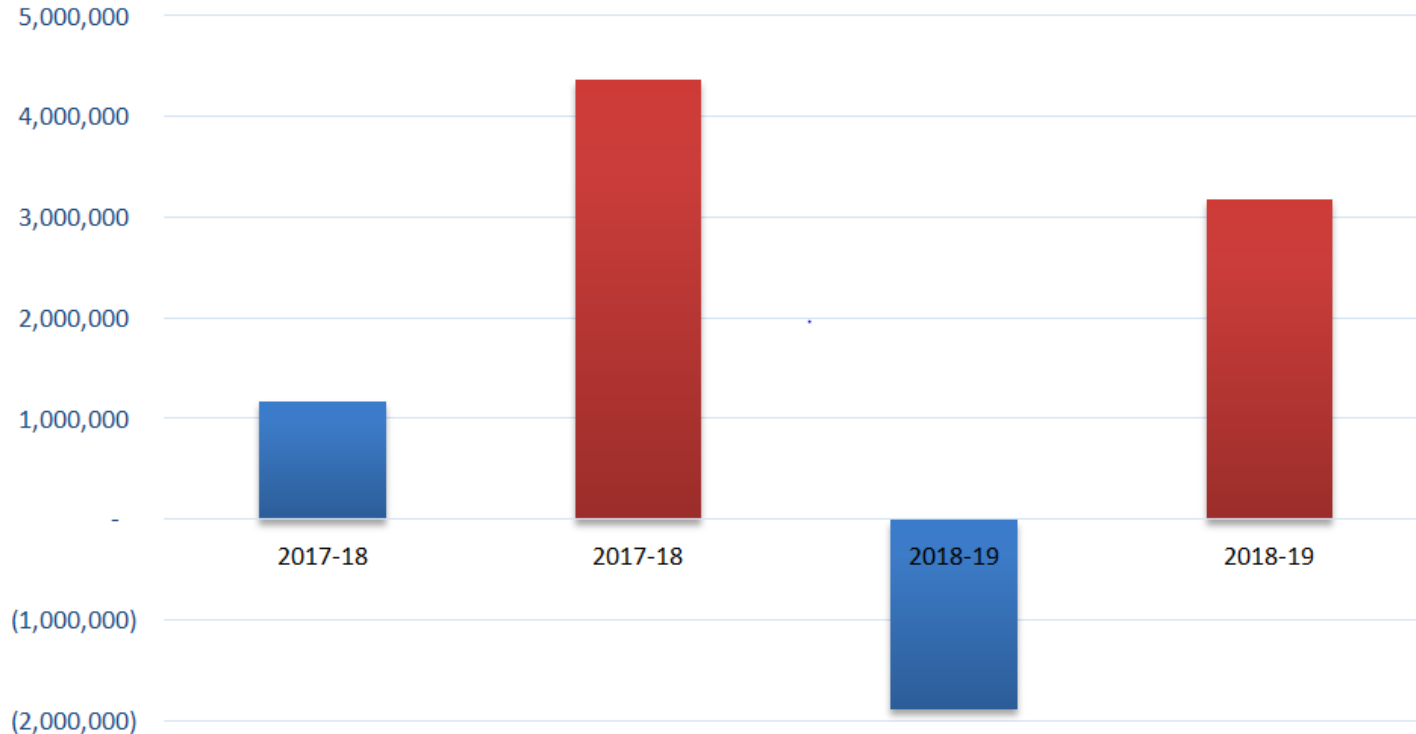
- Nearing full implementation of LCFF Funding Model
 - 2016-17 54.84%
 - 2017-18 73.96%
 - 2018-19 41.22%
- Student Enrollment Decline
- Competing demands for funding
- Unfunded OPEB Liability
 - \$8.8 Million
 - STRS/PERS significantly increasing over the next several years
 - Additional contributions
- Minimum Wage Increases
- Sun-setting of Proposition 30
 - Sales Tax 2016
 - Income Tax 2018

LCFF Funding Reduction

Due to Projected Enrollment Decline

Decline In Funded ADA	2016-17	2017-18	2018-19
384	\$ 3,351,306	\$ 3,626,112	\$ 3,633,792
327	-	3,087,861	3,094,401
392	-	-	3,709,496
Total	\$ 3,351,306	\$ 6,713,973	\$ 10,437,689

LCFF Revenue vs. New/ Increased Expenditures



CalSTRS Rate Increases

Projected Additional Expenditures for General Fund

<u>Effective Rate</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
8.88%	\$ 357,528	\$ 367,433	\$ 382,542	\$ 383,830	\$ 384,433
10.73%	-	1,078,969	1,123,338	1,127,119	1,128,890
12.58%	-	-	1,123,338	1,127,119	1,128,890
14.43%	-	-		1,127,119	1,128,890
16.28%	-	-			1,128,890
Total	<u>\$ 357,528</u>	<u>\$ 1,446,402</u>	<u>\$ 2,629,218</u>	<u>\$ 3,765,187</u>	<u>\$ 4,899,993</u>

CalPERS Rate Increases

Projected Additional Expenditures for General Fund

<u>Effective Rate</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
11.771%	\$ 45,616	\$ 49,788	\$ 50,857	\$ 52,070	\$ 53,088
11.847%	-	11,501	11,748	12,028	12,264
13.888%	-	-	315,501	323,021	329,341
15.500%	-	-		255,125	260,117
17.100%	-	-			258,180
Total	<u>\$ 45,616</u>	<u>\$ 61,289</u>	<u>\$ 378,106</u>	<u>\$ 642,244</u>	<u>\$ 912,990</u>

Next Steps

Adopted Budget

- Recommend Board authorization of Proposed Budget for 2016-17 at the June 27th Board Meeting
- Submit reports to LACOE by June 30th

Thank You!

Comments & Questions