



Alvord Unified School District

Our Promise: All students will realize their unlimited potential.

Second Interim Financial Report Fiscal Year 2019-20

Board of Education Presentation
March 19, 2020

Presented by Dusty Nevatt
Chief Business Officer, Business Services



Second Interim Report

Interim Report Purpose:

- The Second Interim Report represents the District's second official revision to the Final Revised Budget and includes actual financial data through January 31, 2020, with revised enrollment, ADA & budget projections for the remainder of this fiscal year.
- The release of the Governor's State Budget Proposal in January provides the basis for the initial budget development for the upcoming year and is used to update the budget projections for current and two future years.
- Each school district is required to certify its financial condition twice during the fiscal year. This certification addresses the District's ability to meet its financial obligations for the current year and two subsequent years.

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Interim Certifications EC 42131

- Interim reports require a three-year (current plus two) review period
- Certification options are:
 - Positive – district **will meet** its financial obligations for the current and subsequent two fiscal years.
 - Qualified – district **may not meet** its financial obligations for the current or two subsequent fiscal years.
 - Negative – district will be **unable to meet** its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

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Second Interim Considerations for Certification

- Declining Enrollment and Declining ADA
- Reduced COLA projections from First Interim projections
- Ongoing Deficit Spending
 - Projected expenditure projections exceed projected revenue projections
- Budget Stabilization Plan still in development to address the 2021-22 projected shortfall of over \$5 million
- Ability to certify an ongoing minimum 3% Reserve

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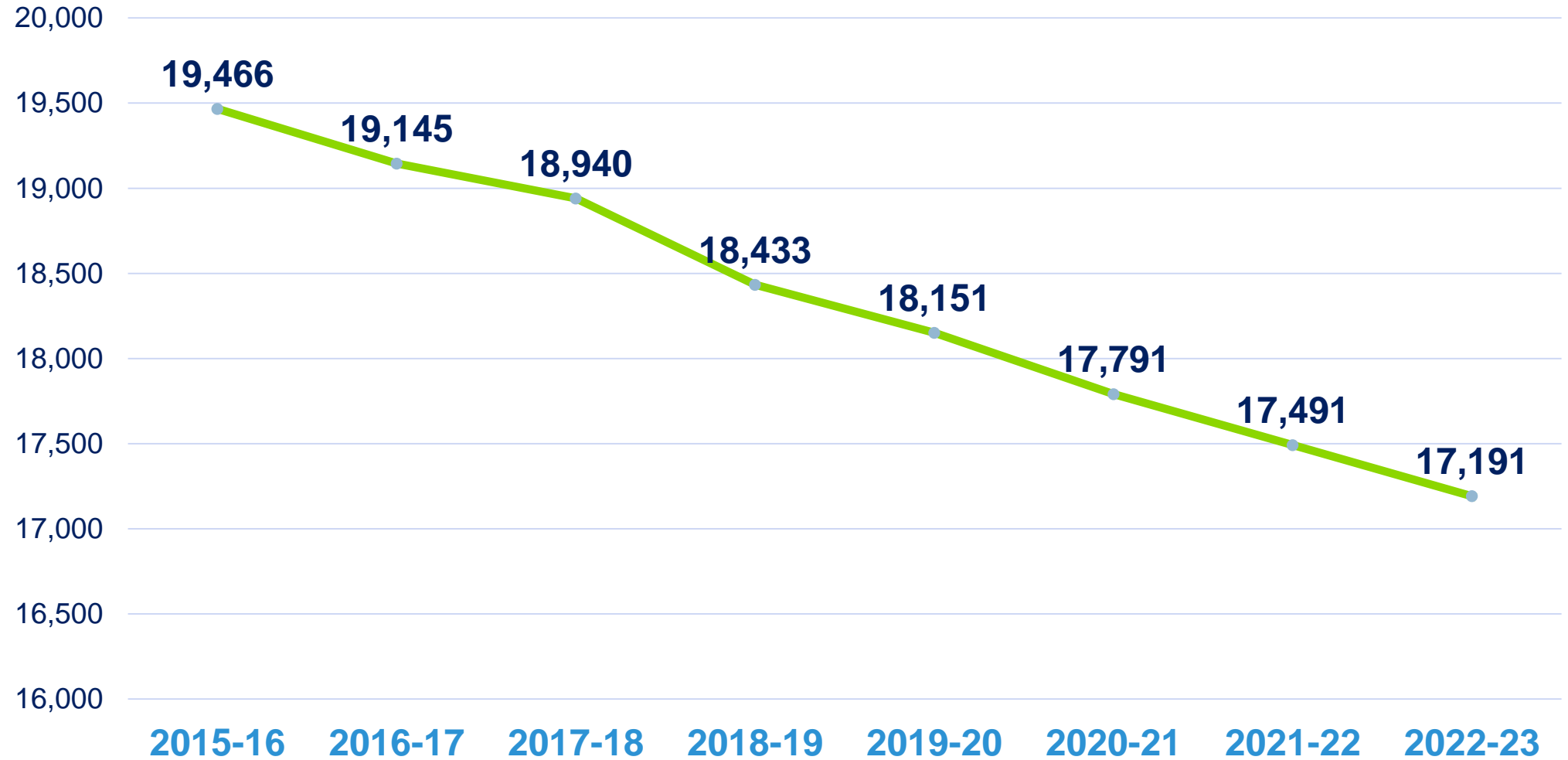
Second Interim Report Recommendation

- Staff recommends a Qualified Certification of the 2019-20 Second Interim Report
- Staff continues to work on a Budget Stabilization Plan to address the 2021-22 projected shortfall of over \$5 million
- Qualified Certification requires a Third Interim Report to be presented
- Third Interim will be presented on May 21, 2020

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Historical and Projected Enrollment Projections



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Enrollment History

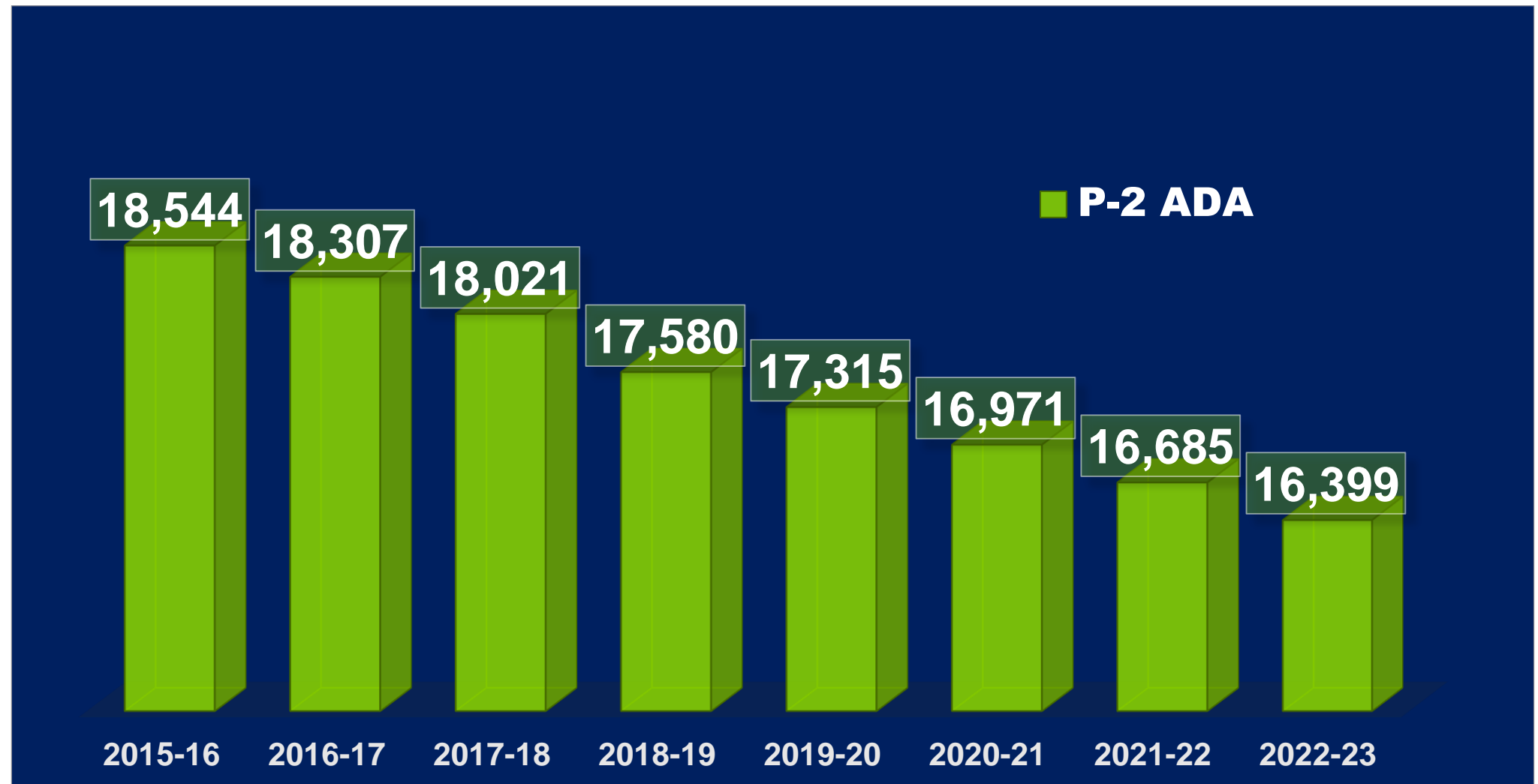
Year	Total Enrollment	Difference from Prior Year
2022-23 (Proj)	17,191	(300)
2021-22 (Proj)	17,491	(300)
2020-21 (Proj)	17,791	(360)
2019-20	18,151	(282)
2018-19	18,433	(507)
2017-18	18,940	(205)

*Total enrollment does not include the non-funded T-K students

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Average Daily Attendance Projections



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Current Year Budget Changes

First Interim	Second Interim
LCFF Funded ADA = 17,577 (Based on prior year)	LCFF Funded ADA = 17,574 (Based on prior year)
COLA = 3.26%	COLA = 3.26%
LCFF is fully funded @ 100%	LCFF is fully funded @ 100%
Unduplicated Pupil % = 80.46%	Unduplicated Pupil % = 80.13%
*Actual Funding is based on a 3 year rolling average = 81.12%	*Actual Funding is based on a 3 year rolling average = 81.02%

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Current Year Budget Changes

Unrestricted General Fund

Unrestricted General Fund	2019-20 1st Interim Projection	2019-20 2nd Interim Projection	Variance
Revenues	\$205,177,202	\$204,991,567	(\$185,635)
Expenditures	\$168,499,853	\$168,858,818	\$358,965
Contributions to Special Ed. & RRM	<u>(\$34,017,930)</u>	<u>(\$32,863,570)</u>	<u>(\$1,154,360)</u>
Net Increase/(Decrease)	\$2,659,419	\$3,269,179	\$609,760
Beginning Fund Balance	\$8,619,161	\$8,619,161	\$0
Ending Fund Balance	<u>\$11,278,580</u>	<u>\$11,888,340</u>	<u>\$609,760</u>
Reserves – Required Min 3%	\$7,084,242	\$7,055,150	(\$29,092)
Remaining Fund Balance – Designated for Future Years	\$4,194,338	\$4,823,190	\$638,852

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Current Year Budget Changes

Restricted General Fund

Restricted General Fund	2019-20 1st Interim Projection	2019-20 2nd Interim Projection	Variance
Revenues	\$31,210,019	\$31,111,505	(\$98,514)
Expenditures	\$66,641,534	\$65,312,708	(\$1,328,825)
Transfers Out to other Funds	\$1,000,000	\$1,000,000	\$0
Contribution from Unrestricted GF	<u>\$34,017,930</u>	<u>\$32,863,570</u>	<u>(\$1,154,360)</u>
Net Increase/(Decrease)	(\$2,413,585)	(\$2,337,634)	75,951
Beginning Fund Balance	\$3,937,359	\$3,937,359	\$0
Restricted Ending Fund Balance	<u>\$1,523,774</u>	<u>\$1,599,725</u>	<u>\$75,951</u>

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Current Year Budget Changes

TOTAL General Fund

Total General Fund	2019-20 1st Interim Projection	2019-20 2nd Interim Projection	Variance
Revenues	\$236,387,221	\$236,103,072	(\$284,149)
Expenditures	\$235,141,367	\$234,171,527	(\$969,860)
Transfers Out to other Funds	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$0</u>
Net Increase/(Decrease)	\$245,834	\$931,545	\$685,711
Beginning Fund Balance	\$12,556,520	\$12,556,520	\$0
Ending Fund Balance	<u>\$12,802,354</u>	<u>\$13,488,065</u>	<u>\$685,711</u>
Reserves – Required Min 3%	\$7,084,242	\$7,055,150	(\$29,092)
Remaining Fund Balance – Designated for Future Years	\$4,194,338	\$4,823,190	\$638,852
Restricted Fund Balance	\$1,523,774	\$1,599,725	\$75,951

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Ending Balances - All District Funds

	2019-20 1st Interim	2019-20 2nd Interim	Variance
Unrestricted General Fund	\$11,278,580	\$11,888,340	\$609,760
Restricted General Fund	<u>\$1,523,774</u>	<u>\$1,599,725</u>	<u>\$75,951</u>
Total General Fund	<u>\$12,802,354</u>	<u>\$13,488,065</u>	<u>\$685,711</u>
Adult Education – Fund 11	\$15,544	\$15,544	\$0
Child Nutrition – Fund 13	\$2,274,505	\$3,077,312	\$802,807
Deferred Maintenance – Fund 14	\$640,044	\$577,032	(\$63,012)
Bond Building – Fund 21	\$110,499	\$116,312	\$5,813
Capital Projects – Fund 25	\$415,396	\$330,972	(\$84,424)
Capital Project Reserve – Fund 40	\$3,376,474	\$4,554,061	\$1,177,587
Self-Insured – Worker’s Comp Excess	\$0.00	0.00	0.00
Self-Insured – AEA Benefit Reserve	\$3,760,268	\$2,981,048	(\$779,220)
AEF – Foundation – Fund 73	<u>\$ 102,663</u>	<u>\$ 102,663</u>	<u>\$0.00</u>
Total Ending Balances	<u>\$23,497,747</u>	<u>\$25,243,009</u>	<u>\$1,745,262</u>

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Multi-Year Projections Considerations

Projections based on data, criteria, trends & negotiated items

- Enrollment & ADA (decrease)
- Unduplicated Pupil Count & Unduplicated Pupil % (decrease)
- Automatic Salary Step & Column (increase)
- Retirement Rate changes (increases)
- Increases to utilities, Management Health costs, Property Liability insurance, salary savings taken in 2019-20 for late starts & vacancies
- LCFF changes = COLA (revenue increase) + Declining Enrollment (revenue decrease)
- Staff changes for loss of enrollment, one-time revenues & restricted program carryovers (decrease)

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LCFF – Local Control Funding Formula

	2019-20 3.26% COLA	2020—21 2.29% COLA	2021-22 2.71% COLA	2022-23 2.82% COLA
LCFF Funding	\$199,556,110	\$200,498,637	\$201,605,680	\$203,862,413
COLA	\$ 6,240,977	\$ 4,326,777	\$ 5,046,828	\$ 5,277,699
Declining Enrollment	(\$ 2,872,141)	(\$ 3,896,853)	(\$ 3,330,716)	(\$ 3,425,520)
Net increase	\$ 3,368,836	\$ 942,527	\$ 1,107,043	\$ 2,256,733
% increase	1.700%	1.005%	1.006%	1.112%

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2019-20 Second Interim MYP Revenue Projections

	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected
Enrollment	18,151	17,791	17,491	17,191
Funded ADA (prior year)	17,574	17,315	16,971	16,685
COLA	3.26%	2.29%	2.71%	2.82%
Unduplicated %	80.13%	80.18%	80.23%	80.28%
One-Time Mandate Rev	\$0 per ADA	\$0 per ADA	\$0 per ADA	\$0 per ADA
Mandated Block Grant	\$32.18 - PY K-8 AA \$61.94 - PY 9-12 ADA	\$32.92 - PY K-8 ADA \$63.36 - PY 9-12 ADA	\$33.81 – PY K-8 ADA \$65.08 – PY 9-12 ADA	\$34.76 – PY K-8 ADA \$66.92 – PY 9-12 ADA
Lottery Unrestricted	\$153 per ADA	\$153 per ADA	\$153 per ADA	\$153 per ADA
Lottery Restricted	\$54 per ADA	\$54 per ADA	\$54 per ADA	\$54 per ADA

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2019-20 Second Interim MYP Expenditure Projections

	2019-20 Projected	2020-21 Projected	2021-22 Projected	2022-23 Projected
Certificated Auto Step	\$1,387,962	\$1,363,115	\$1,363,115	\$1,363,115
Classified Auto Step	\$541,588	\$522,211	\$522,211	\$522,211
STRS	17.10% \$809,745	18.40% \$1,373,468	18.10% (\$319,321)	18.10% \$0
PERS	19.721% \$471,804	22.80% \$838,614	24.90% \$571,968	25.90% \$260,384
Contributions	Spec. Educ - \$25.8M Routine Maint - \$ 7.1M	Spec. Educ - \$28.9M Routine Maint - \$7.1M	Spec. Educ - \$29.5M Routine Maint - \$7.2M	Spec. Educ - \$29.9M Routine Maint - \$7.3M
Minimum State Required District Reserve Percent	3%	3%	3%	3%
Required Reserve Amount	\$7,055,150	\$7,135,211	\$7,210,707	\$7,286,634

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2019-20 2nd Interim Budget & Multiyear Projections

Total General Fund

Unrestricted	2019-20 Projected	2020-21 Projected	2021-22 Projected
Total Revenues	\$236,103,072	\$233,868,962	\$234,976,005
Total Expenditures	<u>\$235,171,527</u>	<u>\$237,840,358</u>	<u>\$240,356,880</u>
Net Increase/(Decrease)	\$931,545	(\$3,971,396)	(\$5,380,875)
Beginning Balance, July 1	\$12,556,520	\$13,488,065	\$9,516,669
Ending Balance, June 30	<u>\$13,488,065</u>	<u>\$9,516,669</u>	<u>\$4,135,794</u>
Designated & Restricted Ending Balances	\$6,432,915	\$1,954,454	\$1,937,319
3% Required Reserve	\$7,055,150	\$7,135,211	\$7,210,707
Unassigned/Unappropriated	\$0	\$427,004	(\$5,012,232)
Contributions to Sp. Ed. & RRM (info only)	\$ 32,863,570	\$ 36,006,453	\$ 36,661,379

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At any time

Assignment of “lack of going concern” or Qualified or Negative Certified Interims EC 42127.6

If at any time during the fiscal year the County Superintendent determines a school district may not meet its financial obligations for the **current or subsequent two years**, the County Superintendent *shall do at least one* of the following *and all as necessary*:

- ✓ Assign a fiscal expert to advise the district
- ✓ Conduct a study of the financial condition of the district which shall include a review of internal controls
- ✓ Require the district to follow different accounting procedures
- ✓ Direct the district to submit a plan to address the issues
- ✓ Assign FCMAT to review teacher hiring practices, teacher retention rates, percentage HQT's, and extent of teacher miss-assignments, and provide recommendations. District shall follow recommendations unless they can show good cause why they should not.

**In Progress: I remain in close contact with Riverside County Office of Education
Expect Fiscal Advisor to be assigned before Third Interim**

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Next Steps

- **March & April 2020** 2020-21 Adopted Budget Development
- **Early May** prepare 2019-20 Third Interim & Estimated Actuals
- **mid-May 2020** Release of 2019-20 Governor's Budget May Revision
- **May 21, 2020** 2019-20 Third Interim Presentation to Board
- **June 11, 2020** Public Hearing 2020-21 LCAP and Adopted Budget
- **June 25, 2020** Board Approval of 2020-21 LCAP and Adopted Budget

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Questions?

