



Alvord Unified School District

Our Promise: All students will realize their unlimited potential.

First Interim Financial Report Fiscal Year 2017-18

Board of Education Presentation
December 14, 2017

Presented by Susana Lopez
Assistant Superintendent, Business Services



Agenda

- Legal and Timeline Review
- RCOE Oversight Responsibilities
 - Presented by James Whittington, Executive Director, RCOE
- Legislative Office Outlook
- Current Year Budget Changes
- Multi-Year Assumptions and Projections
- Future Budget Impacts
- Certification
- Next Steps



First Interim Report

Interim Report Purpose:

- The First Interim Report represents the District's first official revision to the Final Adopted Budget
- The First Interim Report includes actual financial data through October 31, 2017, with revised projections for the remainder of the fiscal year
- 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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Financial Reporting Cycle

- ✓ State Budget Adoption July
- ✓ 2016-17 Unaudited Actuals September
- ✓ 2017-18 First Interim Report December
- Governor's 2018-19 Budget Proposal January
- 2017-18 Second Interim Report March
- 2018-19 Budget Adoption. June

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County Superintendent's Fiscal Oversight Responsibilities

Three ongoing statutory requirements:

- **Review**
- **Approve**
- **Monitor**

Goal: To assist districts in maintaining fiscal stability through a conservative, pro-active, early intervention system.

Key Areas of Fiscal Oversight

- Approval of district's budget and LCAP
- Review of district's first and second interim reports
- Review of collective bargaining agreements/compensation agreements
- Certification that repayment is probable on non-voter approved debt issued by districts in qualified status
- At any time, the County Superintendent may issue a lack of going concern notice
- Review and investigate any allegations or suspicions of fraud or misappropriation

At any time

Assignment of “lack of going concern” or Qualified or Negatively Certified Interims

EC 42127.6

- If at any time during the fiscal year the County Superintendent determines that 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*
 - *Direct the district to submit financial projections*
 - *Require the district to follow different accounting procedures*
 - *Direct the district to submit a plan to address the issues*
 - *Withhold compensation from the governing board and district superintendent for failure to provide requested information*
 - *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.*

Interim Certifications

EC 42131

- Interim reports require a three-year (current plus two) review window.
- Based on current projections:
 - 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.

Assumptions

- County Superintendent must concur that the budget appears reasonable, which places an emphasis on assumption review.
- We focus on the reasonableness of assumptions used and contingency plans.
- County Superintendent takes a conservative approach to both revenue and expenditure assumption review
 - Revenues: contingency plans for any deviation from conservative Department of Finance (DOF) assumptions, if revenues fail to materialize
 - Expenditures: board action/commitment for large expenditure reductions in future years

Trend Analysis

- Review of the **direction** and **size** of movements associated with quantitative variables within the district.
- Just because your district certifies “positive” does not mean you have positive trends.
- Not all “positive” districts are equally healthy.
- Trend analysis provides a means to analyze data over a period of time by focusing on the change in areas like revenue, expenditures, fund balance and enrollment/average daily attendance (ADA).
- Certain trends are expected to be correlated.

Review Considerations

- Understanding of district budget environment/style
- Unrestricted General Fund reserve levels and trend
- Ability to implement planned budget reductions
- FCMAT indicators (quantitative and qualitative)
- Significant control systems
- Negotiated settlements
- Enrollment trend/capture rate
- Program changes
- Contributions to existing programs
- Known, fiscally significant subsequent events
- Cash

Cash

- A budget crisis will often lead to a cash flow crisis, but a cash flow crisis can occur in the absence of a budget crisis.
- Cash flow is the most critical aspect of school district financial planning and budgeting.
- Districts most often get into fiscal trouble from a lack of cash.
- Cash flow solutions take time to implement. Important to have a plan that identifies any internal or external solutions.

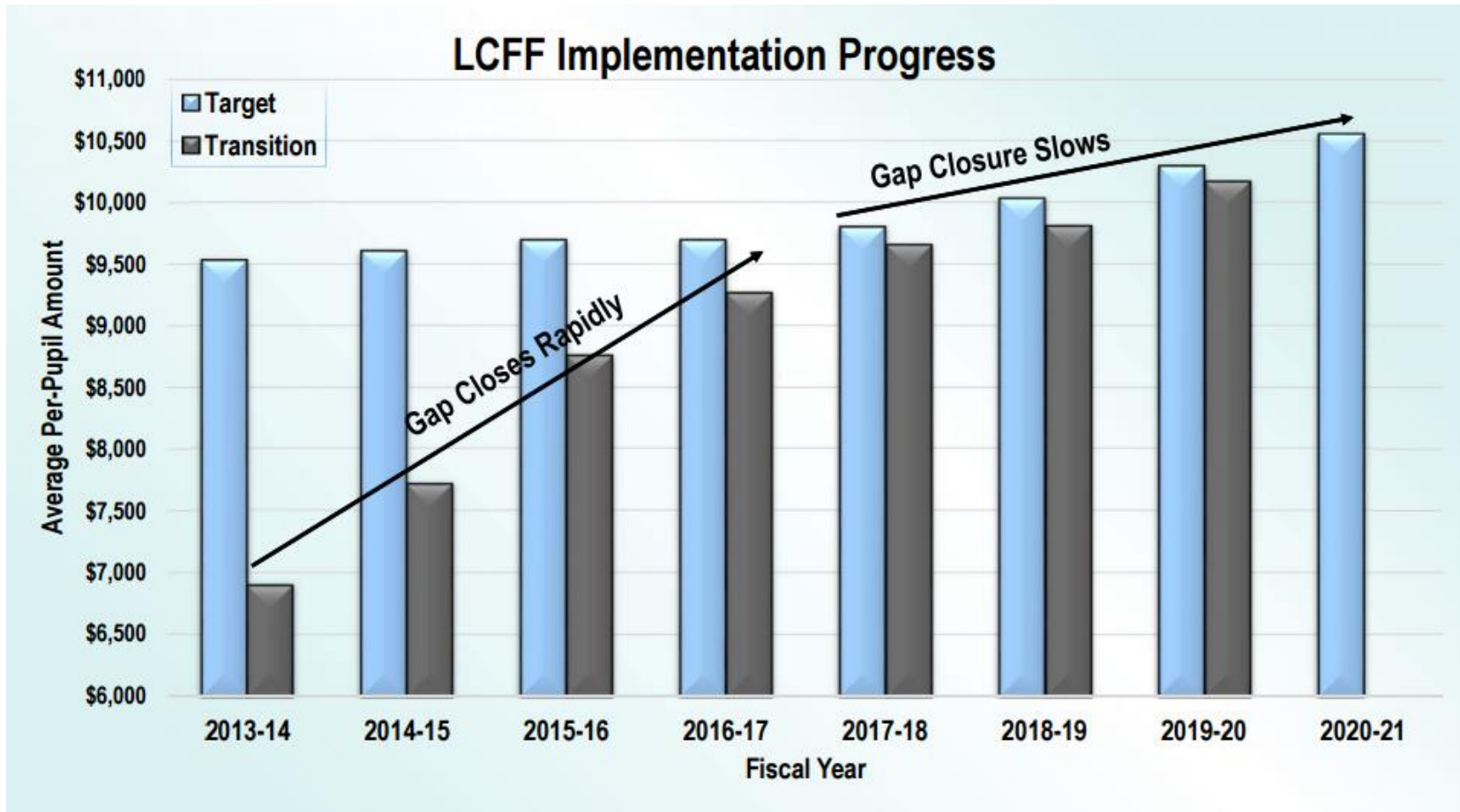
Legislative Analysts Office (LAO)

November 2017 Fiscal Outlook

- LAO is a nonpartisan fiscal advisor to the Legislature
- Annual Fiscal Five Year Outlook provides preview of Governor's likely January Budget proposal
- Near-Term Outlook
- Longer-Term Outlook
 - Under the economic growth scenario the LCFF could be fully funded in 2018-19
 - Afterward only COLA increases would apply
 - In the recession scenario the LCFF would be fully funded in 2020-21



Local Control Funding Formula



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9 KPC Parkway
Corona, CA 92879



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Current Year Budget Changes

Adopted Budget	First Interim
LCFF Funded ADA = 18,475 (Based on prior year)	LCFF Funded ADA = 18,442 (Based on prior year)
COLA = 1.56%	COLA = 1.56%
LCFF Gap % = 43.20%	LCFF Gap % = 43.19%
Unduplicated Pupil % = 80.40%	Unduplicated Pupil % = 81.88% *Actual Funding is based on a 3 year rolling average = 80.91%

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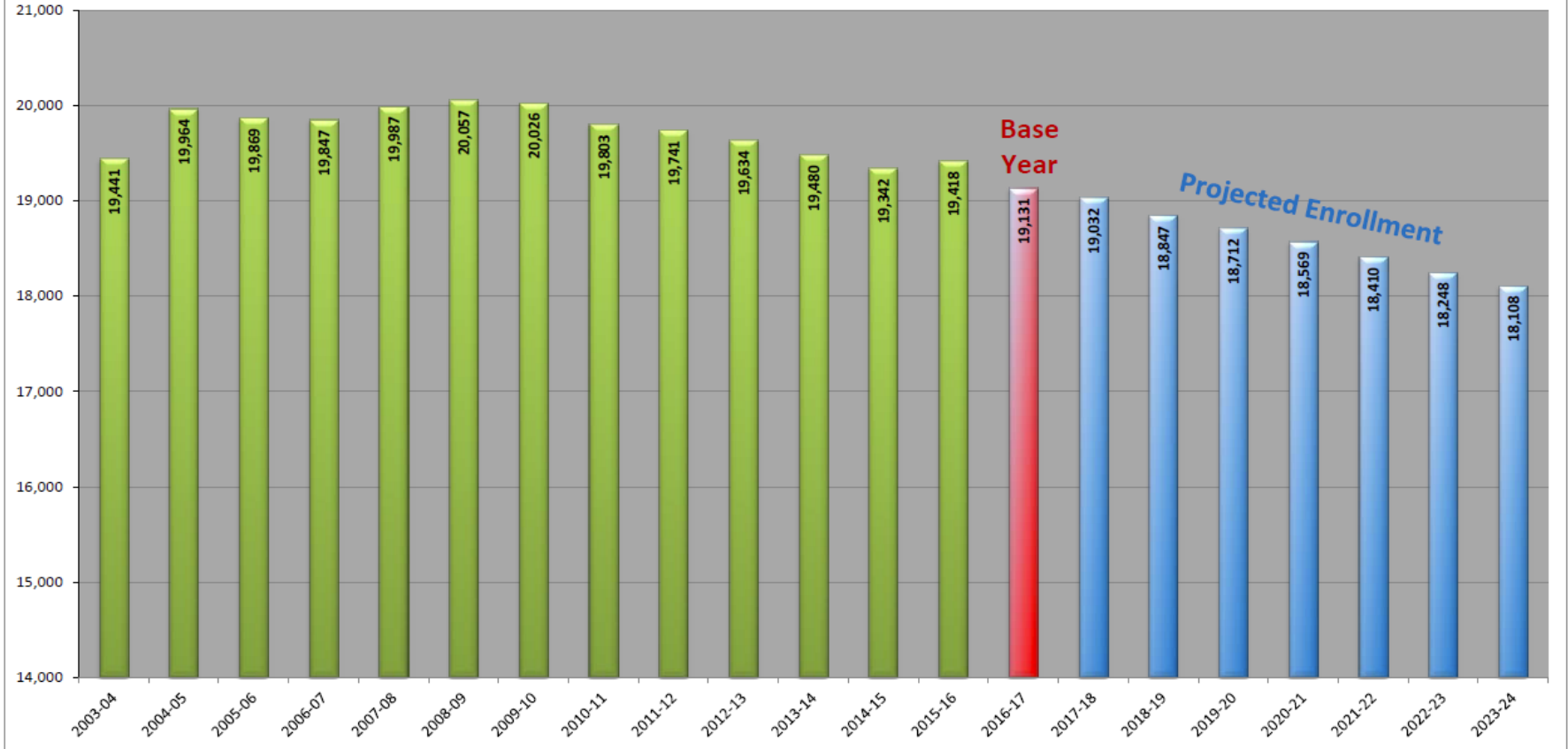
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Enrollment History

Alvord USD Historical CBEDS and Projected K-12 Enrollment
(Projected 2017-18 through 2023-24)



Sources: Alvord USD and California Department of Education
Prepared by Davis Demographics and Planning, Inc.

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Enrollment History

Year	Total Enrollment	Difference from Prior Year
2017-18	18,941	(204)
2016-17	19,145	(271)
2015-16	19,416	26
2014-15	19,390	(90)

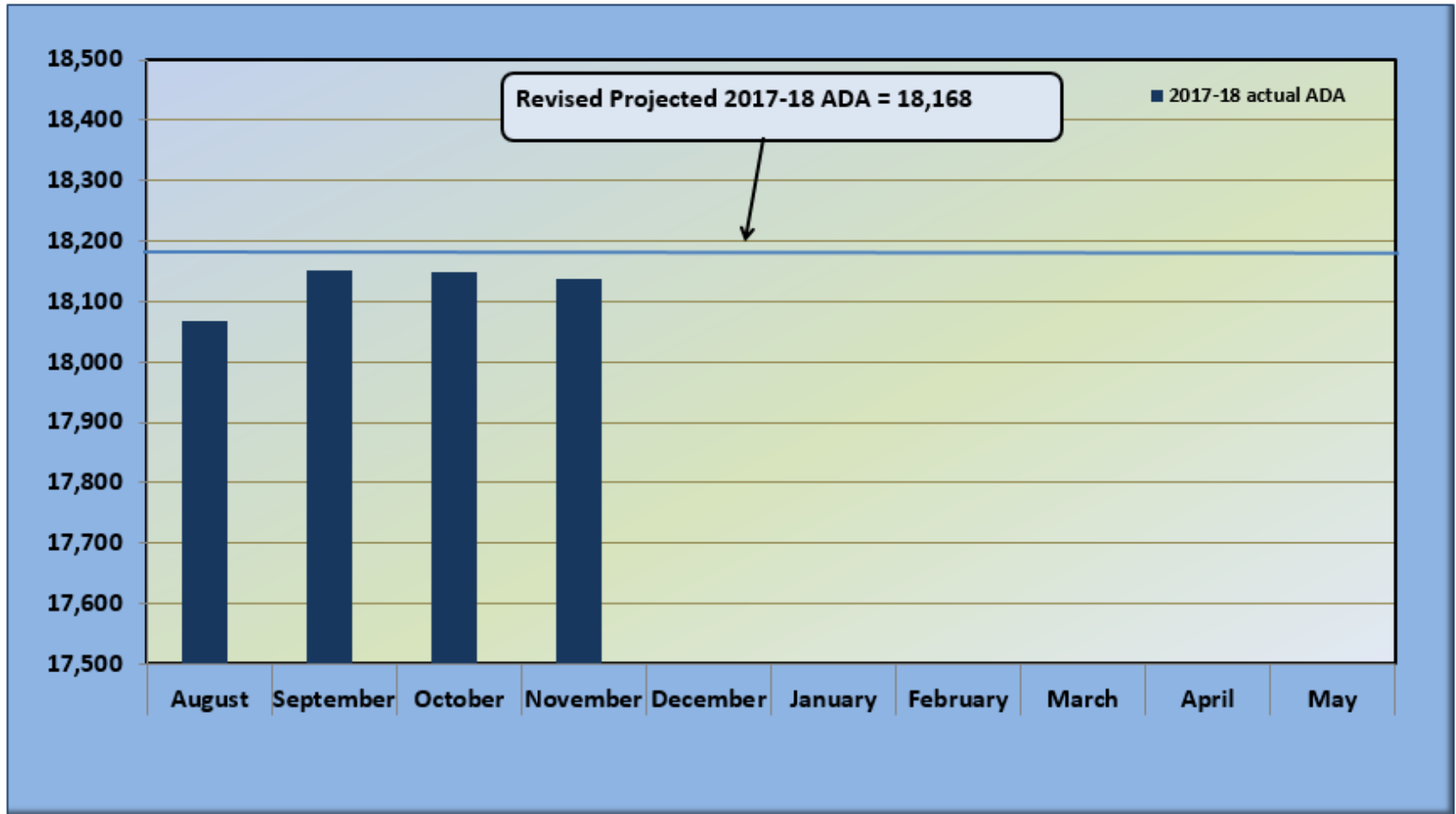
*Total enrollment does not include the non-funded T-K students

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Current Year Budget Changes – Attendance



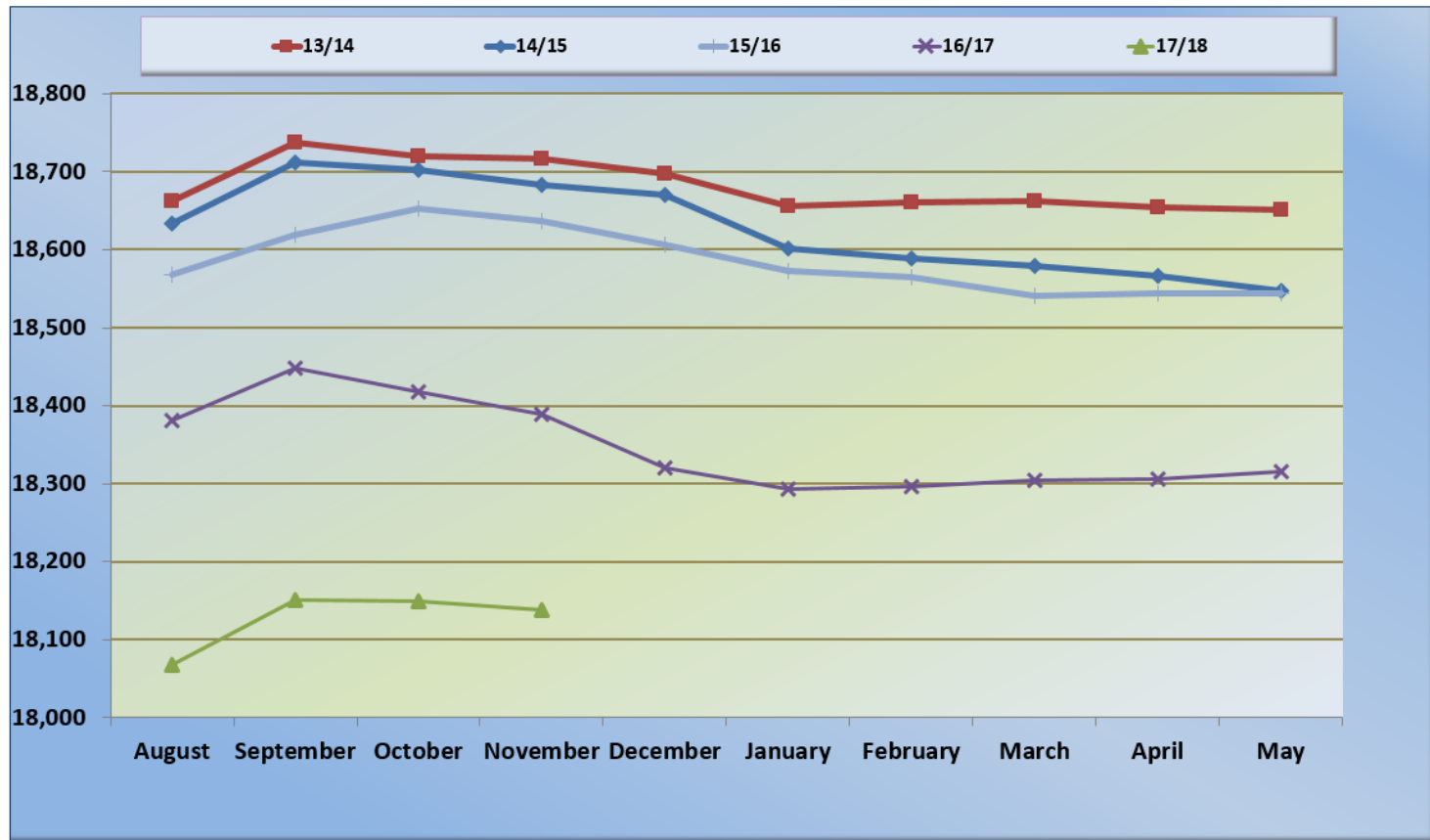
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Attendance History

Average Daily Attendance (ADA) Comparison 2013-2014 to Present



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Current Year Budget Changes

Unrestricted General Fund

Description	2017-18 Adopted Budget	2017-18 1 st Interim - Projected	Variance
Total Revenues	\$193,205,943	\$192,748,563	(\$457,380)
Total Expenditures	\$165,731,102	\$166,487,089	(\$755,987)
Excess (Deficiency)	\$27,474,841	\$26,261,474	(\$1,213,367)
Contributions	(\$29,398,445)	(\$29,255,969)	\$142,476
Net Increase/(Decrease)	(\$1,923,604)	(\$2,994,495)	(\$1,070,891)
Beginning Balance, July 1	\$13,771,937	\$13,771,937	\$0
Ending Balance, June 30	\$11,848,333	\$10,777,442	(\$1,070,891)

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2017-18 First Interim

Revenue Assumptions

	2017-18 Projected	2018-19 Projected	2019-20 Projected
Enrollment	18,941	18,847	18,712
Funded ADA (prior year)	18,442	18,305	18,161
LCFF Funding Gap (DOF)	43.19%	66.12%	64.92%
COLA	1.56%	2.15%	2.35%
One-Time Mandate Funds	\$147 per prior yr ADA	Unknown	Unknown
Mandated Block Grant (MBG)	\$30.34 per K-8 ADA \$58.25 per 9-12 ADA	\$30.34 per K-8 ADA \$58.25 per 9-12 ADA	\$30.34 per K-8 ADA \$58.25 per 9-12 ADA
Lottery	\$146 per prior yr ADA	\$146 per prior yr ADA	\$146 per prior yr ADA

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2017-18 First Interim Expenditure Assumptions

	2017-18 Projected	2018-19 Projected	2019-20 Projected
Certificated Step & Column	1.56%	1.56%	1.56%
Classified Step & Column	4.36%	4.36%	4.36%
STRS	14.43%	16.28%	18.13%
PERS	15.531%	18.10%	20.80%
Utility Increases	2%	2%	2%
Contributions	Special Educ - \$22.7 m Routine Maint - \$6.5 m	Special Educ - \$22.9 m Routine Maint - \$7.2 m	Special Educ - \$23.1 m Routine Maint - \$7.9 m
Minimum State Required District Reserve Level	3%	3%	3%

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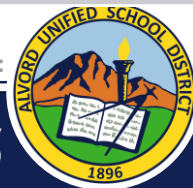


2017-18 Budget & Multiyear Projections

Unrestricted General Fund

Unrestricted	2017-18 Projected	2018-19 Projected	2019-20 Projected
Total Revenues	\$192,748,563	\$197,262,281	\$201,705,302
Total Expenditures	\$166,487,089	\$170,623,731	\$175,422,361
Excess (Deficiency)	\$26,261,474	\$26,638,550	\$26,282,941
Contributions	(\$29,255,969)	(\$30,116,301)	(\$31,039,245)
Net Increase/(Decrease)	(\$2,994,495)	(\$3,477,751)	(\$4,756,304)
Beginning Balance, July 1	\$13,771,937	\$10,777,442	\$7,299,691
Ending Balance, June 30	\$10,777,442	\$7,299,691	\$2,543,387

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2017-18 Budget & Multiyear Projections Components of Ending Fund Balance

Unrestricted	2017-18 Projected	2018-19 Projected	2019-20 Projected
Ending Fund Balance, June 30	<u>\$10,777,442</u>	<u>\$7,299,691</u>	<u>\$2,543,387</u>
Revolving Cash	\$15,000	\$15,000	\$15,000
Minimum State Required District Reserve Level of 3%	\$7,011,940	\$7,057,597	\$7,149,081
Total Required Reserve	<u>\$7,026,940</u>	<u>\$7,072,597</u>	<u>\$7,164,081</u>
Reserve (Shortfall) / Surplus	\$3,750,502	\$227,094	(\$4,620,694)

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Future Budget Impacts

Public Pension Unfunded Liability

CalSTRS rate will increase to 19.1% in 2020-21
(from 14.43% in 2017-18)

CalPERS rate will increase to 23.8% in 2020-21
(from 15.531% in 2017-18)



Future Budget Impacts

Special Education

2017-18 contribution increased over \$1.5 million as a result of increased costs and an increase in special education enrollment

2018-19 projected costs will be received from RCOE in January and incorporated into 2nd interim projections



First Interim Report Recommendation

Staff recommends a Positive Certification of the First Interim Report

Staff will begin to work on a contingency plan to address the 2019-20 shortfall of \$4.6 million



Next Steps

Jan 2018	Release of 2018-19 Governor's Proposed Budget
Jan 2018	Board Action on 2016-17 Annual Audit
Feb 2018	Budget Study Session
Mar 2018	Board Action on 2017-18 Second Interim
May 2018	Release of 2018-19 Governor's Budget May Revision
June 2018	Public Hearing 2018-19 LCAP and Adopted Budget
June 2018	Board Action on 2018-19 LCAP and Adopted Budget

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Questions?

