

ALVORD UNIFIED SCHOOL DISTRICT

First Interim Report

FISCAL YEAR
2019-20

Presented by

Fernando Cubias

Interim CBO

December 12, 2019



Agenda

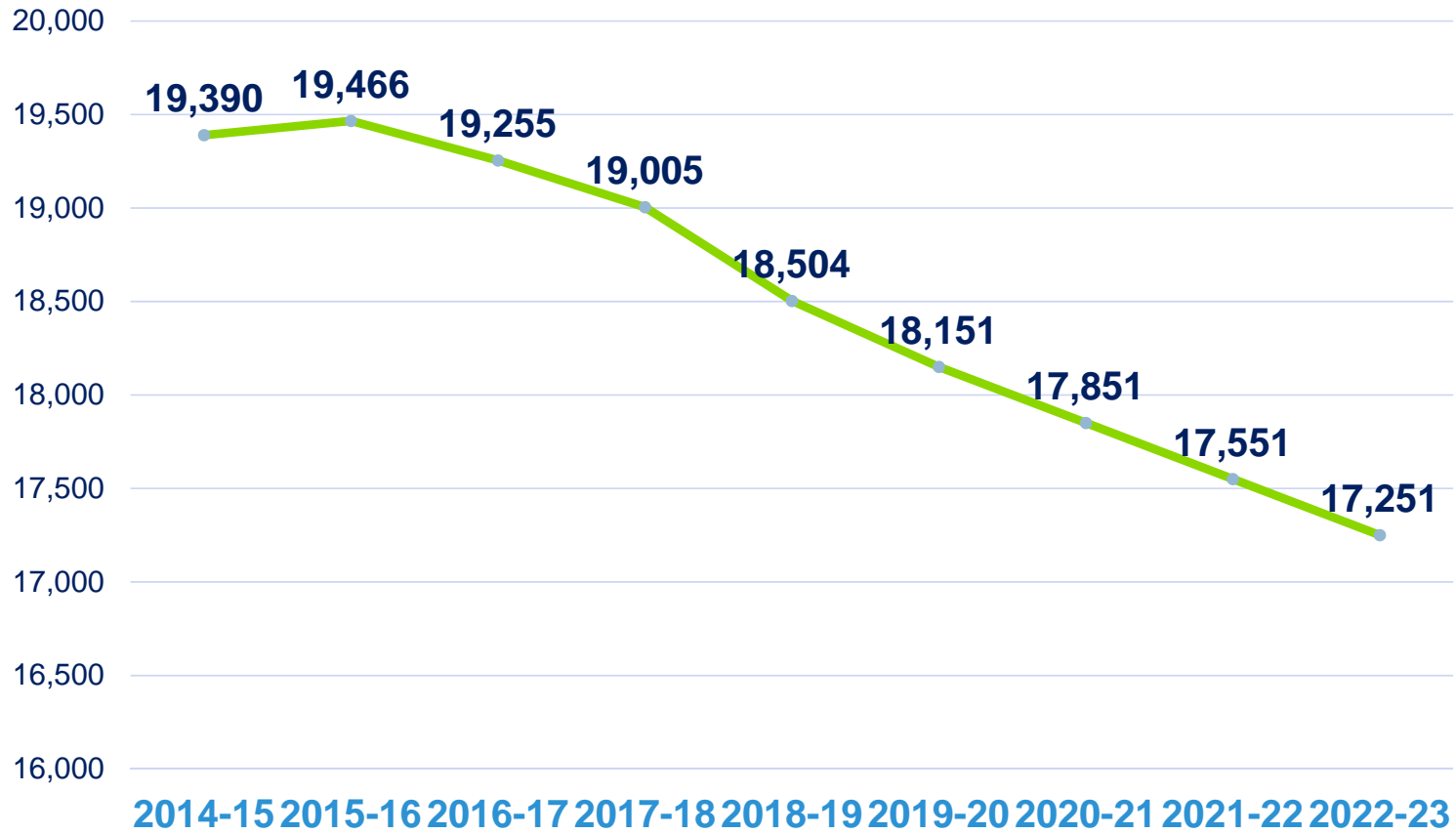
- Legal and Timeline Review
- Enrollment/Attendance
- Current Year Budget Changes
- Assumptions
- Budget Reductions
- Multi-Year Projections
- Lack of Going Concern Determination
- Certification
- Next Steps

First Interim Report

Interim Report Purpose:

- The First Interim Report represents the District's first official revision to the Approved Adopted Budget on November 7, 2019.
- The First Interim Report includes actual financial data through October 31, 2019, 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

Enrollment Projections for 2019-20



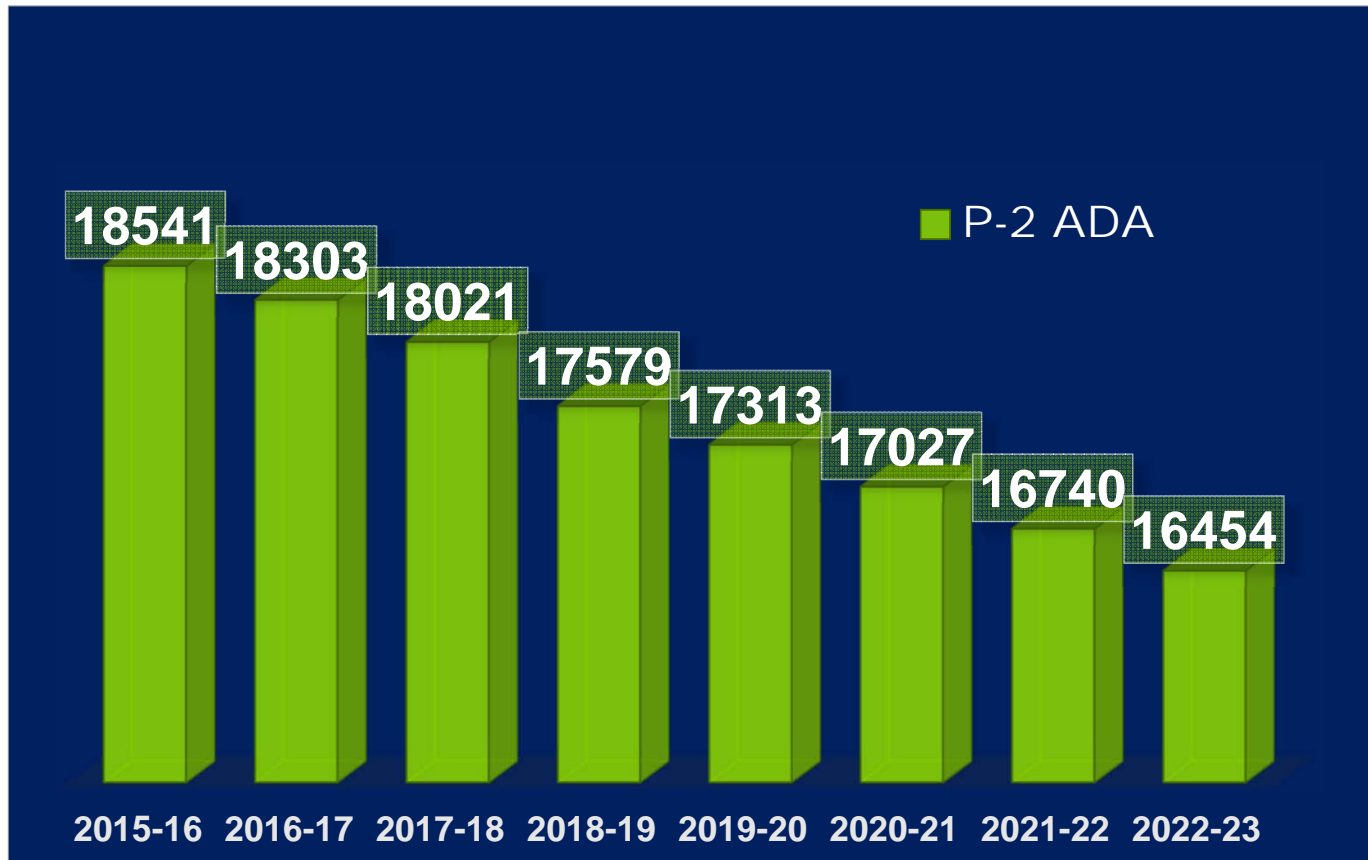
*Decline of 300 students per year.

Enrollment History

Year	Total Enrollment	Difference from Prior Year
2019-20	18,151	(282)
2018-19	18,433	(507)
2017-18	18,940	(205)
2016-17	19,145	(271)
2015-16	19,416	26

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

Average Daily Attendance Projections



*LCFF Funding Based on Prior Year ADA

Current Year Budget Changes

Adopted Budget	First Interim
LCFF Funded ADA = 17,556 (Based on prior year)	LCFF Funded ADA = 17,556 (Based on prior year)
COLA = 3.26%	COLA = 3.26%
LCFF Gap % = 100%	LCFF Gap % = 100%
Unduplicated Pupil % = 81.98%	Unduplicated Pupil % = 81.46% *Actual Funding is based on a 3 year rolling average = 81.12%

Current Year Budget Changes

Unrestricted General Fund

Unrestricted General Fund	2019-20 Revised Budget	2019-20 1st Interim Projection	Variance
Revenues	\$204,321,802	\$205,177,202	\$855,400
Expenditures	(\$168,422,103)	(\$168,499,853)	(\$77,750)
Contributions to Special Ed. & RRM	<u>(\$34,003,082)</u>	<u>(\$34,017,930)</u>	<u>(\$14,848)</u>
Net Increase/(Decrease)	\$1,896,617	\$2,659,419	\$762,802
Beginning Fund Balance	\$8,619,161	\$8,619,161	\$0
Ending Fund Balance	<u>\$10,515,778</u>	<u>\$11,278,580</u>	\$762,802
Reserves – Required Min 3%	\$7,081,753	\$7,084,242	(\$2,489)
Remaining Fund Balance	\$3,434,025	\$4,194,338	\$760,313

Current Year Budget Changes

Restricted General Fund

Restricted General Fund	2019-20 Revised Budget	2019-20 1st Interim Projection	Variance
Revenues	\$31,210,019	\$31,210,019	\$0
Expenditures	<u>(\$66,636,331)</u>	<u>(\$66,641,534)</u>	<u>(\$5,203)</u>
Increases/(Decrease)	(\$35,426,312)	(\$35,431,515)	(\$5,203)
Transfers Out to other Funds	(\$1,000,000)	(\$1,000,000)	\$0
Contribution from Unrestricted GF	<u>\$34,003,082</u>	<u>\$34,017,930</u>	14,848
Net Increase/(Decrease)	(\$2,423,230)	(\$2,413,585)	9,645
Beginning Fund Balance	\$3,937,359	\$3,937,359	\$0
Ending Fund Balance	\$1,514,129	\$1,523,774	\$9,645

2019-20 First Interim MYP Revenue Assumptions

	2019-20 Projected	2020-21 Projected	2021-22 Projected
Enrollment	18,151	17,851	17,551
Funded ADA (prior year)	17,556	17,292	17,006
LCFF Funding Gap (DOF)	100%	-----	-----
COLA	3.26%	3.00%	2.80%
One-Time Mandate Funds	\$0 per ADA	Unknown	Unknown
Mandated Block Grant (MBG)	\$32.18 per K-8 ADA \$61.94 per 9-12 ADA	\$33.15 per K-8 ADA \$63.80 per 9-12 ADA	\$34.08 per K-8 ADA \$65.59 per 9-12 ADA
Lottery Restricted Lottery Unrestricted	\$66 per prior yr ADA \$153 per prior yr ADA	\$66 per prior yr ADA \$153 per prior yr ADA	\$66 per prior yr ADA \$153 per prior yr ADA

2019-20 First Interim MYP Expenditure Assumptions

	2019-20 Projected	2020-21 Projected	2021-22 Projected
Certificated Step & Column	1.37%	1.37%	1.37%
Classified Step & Column	1.77%	1.77%	1.77%
STRS	17.10%	18.40%	18.10%
PERS	19.721%	22.70%	24.60%
Contributions	Special Educ - \$26.9 m Routine Maint - \$ 7.1 m	Special Educ - \$29.8 m Routine Maint - \$7.1 m	Special Educ - \$30.2 m Routine Maint - \$7.2 m
Minimum State Required District Reserve Level Percent	3%	3%	3%

2019-20 Budget & Multiyear Projections Unrestricted General Fund

Unrestricted	2019-20 Projected	2020-21 Projected	2021-22 Projected
Total Revenues	\$205,177,202	\$206,405,014	\$208,450,628
Total Expenditures	(\$168,499,853)	(\$172,231,416)	(\$173,594,703)
Contributions to Sp. Ed. & RRM	(\$34,017,930)	(\$36,984,855)	(\$37,468,181)
Proposed Budget Reductions	<u>\$0</u>	<u>\$1,163,000</u>	<u>\$1,163,000</u>
Net Increase/(Decrease)	\$2,659,419	(\$1,648,257)	(\$1,449,256)
Beginning Balance, July 1	\$8,619,161	\$11,278,580	\$9,630,323
Ending Balance, June 30	\$11,278,580	\$9,630,323	\$8,181,067

2019-20 Budget & Multiyear Projections

Components of Ending Fund Balance

Unrestricted	2019-20 Projected	2020-21 Projected	2021-22 Projected
Ending Fund Balance, June 30	<u>\$11,278,580</u>	<u>\$9,630,323</u>	<u>\$8,181,067</u>
Revolving Cash	\$15,000	\$15,000	\$15,000
Reserve for Donation/Carryover Accounts	\$79,392	\$79,392	\$79,392
Reserve for LCAP Actions	\$1,064,000	\$1,064,000	\$0
Minimum State Required District Reserve Level of 3%	\$7,084,242	\$7,091,348	\$7,150,830
Total Required Reserve	<u>\$7,178,634</u>	<u>\$7,185,740</u>	<u>\$7,245,222</u>
Reserve (Shortfall) / Surplus	\$4,099,946	\$2,444,583	\$935,845

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
- ✓ 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.

Lack of Going Concern Determination

Received letter from Riverside County Office of Education on November 8th regarding Lack of Going Concern Determination

Basis for Determination:

- Reserve for Economic Uncertainties
- Structural Deficit in Subsequent Fiscal Years
- Assumptions: Review All Expenditures

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.

Staff recommends a Qualified Certification of the 2019-20 First Interim Report

In Progress

- ❑ Budget Stabilization Plan to be Reviewed and Approved by the Board of Trustees
- ❑ Continue to Implement the Recommendations in the FCMAT Reports
- ❑ Budget Advisory Committee Recommendations to the Board of Trustees

Next Steps

- **Jan 2020** Release of 2020-21 Governor's Proposed Budget
- **Jan 2020** Update of the RCOE Review of the First Interim Report
- **Feb 2020** Solvency & Fiscal Stabilization Plan Approval
- **Mar 2020** Board Action on 2019-20 Second Interim
- **May 2020** Release of 2020-21 Governor's Budget May Revision
- **June 2020** Public Hearing 2020-23 LCAP & 2020-21 Adopted Budget
- **June 2020** Board Action on 2020-23 LCAP & 2020-2021 Adopted Budget

Questions?