

IRVINE UNIFIED SCHOOL DISTRICT

Finance Committee

January 26, 2015

Call to Order:	The meeting of the Finance Committee was called to order by Brian Daucher
Roll Call:	Roll Call was conducted via sign-in sheet
Members Present:	Andy Coleman, Brian Daucher, Cyril Yu, Jason Grenier, Leslie Roach, Madeline Clyde, Scott Hansen, Seth Grossman and Sherry Slunka
Members Absent:	Alan Battenfield and Denise Espinosa
IUSD Staff:	John Fogarty, Asst. Supt., Business Services, Susana Lopez, Fiscal Director and Raianna Chavez, Confidential Secretary
Guests:	Janelle Cranch
Next Meeting Date:	March 23, 2015

Finance Committee Business

1. Call to Order; Roll Call;

- Brian Daucher called the meeting to order at 6:31p.m.

2. Introductions

- The committee members briefly introduced themselves.

3. Finance Committee Organization

- New Chairperson appointment
 - Brian Daucher nominated Madeleine Clyde, seconded by Cyril Yu, with all members voting in approval. Madeleine Clyde continued as committee chair.
- Review and Approval of Proposed 2015 Meeting Calendar
 - After review of the proposed meeting calendar, the group decided to move the June 29th meeting to June 25th, 2015. With that change the 2015 Finance Committee schedule was motioned by Janelle Cranch and seconded by Sherry Slunka, with all members voting in approval.

4. Approval of Meeting Minutes

Janelle Cranch moved with Seth Grossman seconding approval of the September 22, 2014 meeting minutes.

5. 2013-14 Audit Presentation, by Rick Alonzo of Vavrinek, Trine, Day & Co. LLP

- John Fogarty introduced Rick Alonzo, Partner at Vavrinek, Trine, Day & Co. LLP (VTD), IUSD's auditing firm.
- Rick Alonzo directed the group to the Summary of Auditors' Results in the Audit Report, stating the audit provides three opinions on the District's: Financial Statements, Federal Awards, and State Awards, to verify and inform the public that District funds have been used appropriately.
 - VTD issued IUSD an unmodified opinion on the District's Financial Statements, which was formerly referred to as an unqualified opinion, both meaning no modifications were made to the opinion. This is the highest cleanest opinion an auditor can provide. In summary there were no material weaknesses or deficiencies found during the audit.
 - The final opinion VTD provided is in regards to State Awards, of which certain compliance requirements were tested. Again VTD issued an unmodified opinion.

- In reviewing the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements, VTD found no audit adjustments, and were able to validate all numbers to the Accounts Payable, Accounts Receivable, and Bank Statement reconciliations.
- Financial Statement Findings: VTD found no material findings, in contrast the District implemented procedures and training to resolve findings from the prior year, having to do with the Associated Student Body (ASBs).
 - Brian Daucher asked if the audit included student attendance. Rick confirmed the audit includes a look at student attendance through a risk assessment analysis, whereby the percentages of absences is compared to prior years. Additionally, the auditors will review a school's bell schedule to make sure it is in compliance with the minimum minutes students must attend school.

6. First Interim Presentation, by John Fogarty

- John Fogarty, Assistant Superintendent, presented the First Interim Report as was presented to the IUSD Board on December 9, 2014.
- John explained the financial reporting cycle, specifying that the First Interim takes a look at actual financials from July 1 to October 31 and projections outward, while anticipating the fluctuation in ADA.
- The First Interim Report represents the District's first official revision to the Final Adopted Budget.
 - Staff looks at the budget continuously, but the First Interim is the first time the updated budget is displayed to the public.
- John reported that the Legislative Analyst's Office (LAO), which is a non-partisan body who provides data to legislators, for the first time, has provided three potential scenarios recognizing the volatility of California's economy and heavy reliance on income taxes.
- LAO's forecast scenarios:
 - Main Scenario: which is the focus and what IUSD is basing its assumptions on, presumes continued moderate economic growth through 2020, with budget surpluses and growing budget reserves.
 - Slowdown Scenario: which takes a look at a significant stock market correction and slowdown of economic growth, with budget surpluses and reserves disappearing.
 - Temporary Revenue Surge Scenario: which takes a look at a downward pressure on future budget surpluses and reserves due to a spike in capital gains in 2014-15.
- Under the LAO's Main Scenario, state revenues are projected to grow through 2019-20 resulting in a steady increase in Prop 98 funding. For 2014-15 State revenues are projected to exceed the budgeted revenues resulting in an increase of approximately \$2.3 billion in the Prop 98 guarantee.
 - With that increased revenue, the Governor is likely to eliminate the remaining K-14 apportionment deferrals, of approximately \$1 billion; provide additional funding for unpaid mandates; fund the outstanding obligations of the Emergency Repair Program (ERP); and/or provide additional funding to support Common Core.
- John continued that prior to the implementation of the Local Control Funding Formula (LCFF), districts forecasted revenues primarily based on the Cost of Living Adjustments (COLAs). However, with the Governor's emphasis of fully funding the LCFF by 2020-21, districts are having to rely on projections from the Department of Finance (DOF) for the "gap" funding levels. Within the last eleven months, the DOF projections have varied widely resulting in a shift of approximately \$8 million for 2015-16.
- LCFF consists of a Base Grant, a Supplemental Grant, a Concentration Grant, a Class Size Reduction (CSR) Augmentation, a CTE Augmentation, and a TIIG and Transportation Add-on. With the funding varying by grade bands of: K-3, 4-6, 7-8, 9-12.
- Multi-year assumptions and projections were also reviewed, noting staff built the budget using conservative percentages.

- Staff recommended and the Board approved filing a Positive Certification for the First Interim Report.

7. Local Control Accountability Plan Timeline Handouts, by Susana Lopez

- Susana Lopez provided the LCAP Timeline and presentation, stating that Alan Schlichting, the Director of Student Support Services is in charge of the LCAP timeline and presentations; he communicates to the sites and departments on what information they should be providing to their stakeholders. He trains the Principals and department heads, then they deliver the message during staff meetings, PTA meetings, etc.
 - In November and December presentations are provided that provide an overview of the LCFF and LCAP to IUSD stakeholders.
 - In January and February surveys are provided giving IUSD stakeholders opportunity to provide input and prioritize district actions.
 - In March and April IUSD stakeholders will review the draft LCAP plan with additional opportunities for input and prioritization.
 - In May and June there will be a Public Hearing where the Board of Education is to approve the LCAP plan concurrent with the 2015-16 budget.

8. Overview of the Governor's Budget Proposal, by John Fogarty

- John Fogarty, Assistant Superintendent provided an overview of the Governor's Budget proposal.
- The Governor's main focus is in getting the LCFF fully funded by 2020-21. He proposes adding \$4 billion to the gap funding, for an increase of 32.19%, which for IUSD would get us to about 86% of being fully funded.
- For IUSD, the \$4 billion represents a \$6.6 million shift, which means the district would be looking at a positive of about \$4.5 million for 2015-16.
- Concerning a State School Facilities Bond, funds have run out and the Governor is opposed to a new bond. If a Facilities Bond returned the Governor wants the facilities funding to resemble the LCFF funding, whereby disadvantaged districts get priority and the bulk of the funds.
- Previously, to access the Facilities Fund, the funds were matched, meaning districts needed to provide about 50% of the funds.
- Absent a bond, districts will need to look at the local level for funding. The Governor lowered the threshold required to pass a parcel tax, to 55%, possibly allowing for local fundraising.

9. Adjournment

- The meeting was adjourned at 8:15 p.m.

Action Items – Follow Up: • None.