

BOARD OF EDUCATION

Attachment: Information 7

PALO ALTO UNIFIED SCHOOL DISTRICT

Date: 11.19.13

TO: Kevin Skelly, Superintendent

FROM: Cathy Mak, Chief Business Officer

SUBJECT: 2012-13 Parcel Tax Fiscal Report

RECOMMENDATION

This report is presented for information only. No Board action is necessary.

STRATEGIC PLAN INITIATIVE

Budget Trends and Infrastructure

BACKGROUND

On May 4, 2010, the voters of Palo Alto Unified School District approved an annual tax of \$589 per parcel (Measure A), with two percent annual increases, for six years to replace the previous tax. This parcel tax allows exemptions, upon application, for parcels owned by and used as principal residences of persons of age 65 years or older. The parcel tax also calls for independent oversight to monitor the expenditures of the taxes collected. This tax was approved by a Yes vote of 79.36 percent.

The 2010 ballot measure stated the proceeds of the tax would be used to “preserve excellence in core academic programs, including reading, writing, math, and science; reduce the impact of deep budget cuts with stable locally-controlled funding; minimize teacher layoffs and class size increases; continue teacher professional development; and help protect critical high school electives, including arts and music”.

On August 23, 2011, the Board approved the parcel tax expenditure plan for Measure A from 2010-11 to 2015-16.

This report provides income and expenditure information on the parcel tax for 2012-13.

INCOME

The parcel tax of \$613 per parcel was recorded for 2012-13, excluding a \$12 prior year payment related to an under billing in 2011-12 that was recouped in 2012-13. There were 22,264 available parcels. There were 2,481 exemptions on the tax roll; 95 refunds were issued after the roll was completed. A total of \$3,206 in voluntary contributions was received. The net amount received from the parcel tax in 2012-13 was \$11,922,184, which is approximately 7 percent of the total revenues for the year. The table below shows the derivation of the parcel tax revenue in 2012-13.

2012-13 Parcel Tax Revenue		
	Parcels	Revenues
July 2012 Roll	22,264	\$13,900,305
Less Exemption	-2,481	-\$1,550,625
Total Assessment	19,783	\$12,349,680
Less 1% service charge to County		-\$123,497
\$12 payment received, but accrued for in 2011-12		-\$236,616
Less senior refunds applied for during 2012-13	113	-\$70,589
Voluntary Contributions		\$3,206
Net Revenue		\$11,922,184

EXPENDITURES

As stated in the background section above, the parcel tax was designated for five areas of expenditure: maintain excellence in core programs, reduce the impact of budget cuts, minimize teacher layoffs and class size increases, continue teacher professional development; and help protect high school electives. These designations are similar to the ones defined within the parcel tax passed in 2005; and we have, therefore, included most of the expenditures from the prior parcel tax and added expenditures to help avoid/minimize teacher layoffs and reduce the impact of state budget cuts, which fulfill the new designations in Measure A.

The 2012-13 planned expenditure budget was \$11,900,000. The actual expenditures for these categories in 2011-12 were \$11,922,184, which is \$22,184 more than planned.

The following table shows the expenditures from the parcel tax in 2012-13.

2012-13 Parcel Tax Expenditure Summary

Plan Item #	Description	FTE	%	Budget	Actual	Over / (Shortfall)
1a,b	Class Size Reduction	46	69%	5,106,000	5,225,564	119,564
1c	Growth Teachers for Enrollment growth	17	100%	1,887,000	1,931,187	44,187
2	Secondary School Electives	9	N/A (*)	999,000	1,022,394	23,394
3	High School Dean	1	100%	120,000	117,238	(2,762)
4	Psychologists and Counselors	2.5	9%	287,000	285,288	(1,712)
5	Elementary Librarians, Literacy and Math	2 3	9% 100%	555,000	566,631	- 11,631
6	Classified Support Staff	8	11%	550,000	540,129	(9,871)
7	Base Allocation to Schools	N/A	33%	300,000	306,700	6,700
8	Professional Development	N/A	100% (**)	500,000	669,043	169,043
9 a,b,c	Backfill State Fair Share Reduction Class Size Reduction K-3	N/A		1,596,000	1,258,010	(337,990)
				<u>11,900,000</u>	<u>11,922,184</u>	<u>22,184</u>

(*) Total percentage for elective classes is n/a because total number of "elective classes" FTE is not available. There are several classes that are taken towards graduation requirement for one student and as an elective for another student.

(**) The parcel tax pays for 100% of the professional development in excess of the three days included in the PAEA contract

The cost of certificated teachers is calculated using average teacher cost of \$113,599 (\$89,701 average salary plus statutory and health benefit costs). Other personnel expenditures on this list were determined either by using average cost per teacher or actual costs of employees hired.

A breakdown of class size reduction teachers hired by school is shown in Exhibit A. These teachers have been funded by the parcel tax, state class size reduction funds, as well as the district.

The revenue and expenditure data in this report were reviewed by the district's external auditor, Vavrinek, Trine, Day and Co. and no exceptions were found. The auditor's report is available for review in the Business Office. The partner of the firm, Mr. Lenny Danna, discussed the review procedures and results with the district's Parcel Tax Oversight Committee on October 14, 2013, and the committee members were satisfied with the review. The report from the Committee is shown in Exhibit B.

**CSR TEACHERS
2012-13**

SCHOOL		<i>2012-13 11th day Enrollment (excluding SAI)</i>	GENERAL FUND CLASSROOM TEACHERS	Class Size Without CSR	GENERAL FUND CLASSROOM TEACHERS WITHOUT CSR	ADDITIONAL TEACHERS DUE TO CSR
ADDISON	K	86	4.00	27.00	3.19	0.81
	1-5	382	17.00	27.50	13.89	3.11
BARRON PARK	K	45	2.00	27.00	1.67	0.33
	1-5	293	14.00	27.50	10.65	3.35
BRIONES	K	41	2.00	27.00	1.52	0.48
	1-5	346	15.00	27.50	12.58	2.42
DUVENECK	K	81	4.00	27.00	3.00	1.00
	1-5	430	19.00	27.50	15.64	3.36
EL CARMELO	K	63	3.00	27.00	2.33	0.67
	1-5	348	15.00	27.50	12.65	2.35
ESCONDIDO	K	97	5.00	27.00	3.59	1.41
	1-5	459	21.00	27.50	16.69	4.31
FAIRMEADOW	K	83	4.00	27.00	3.07	0.93
	1-5	436	19.00	27.50	15.85	3.15
HAYS	K	63	3.00	27.00	2.33	0.67
	1-5	462	20.00	27.50	16.80	3.20
HOOVER	K	66	3.00	27.00	2.44	0.56
	1-5	349	15.00	27.50	12.69	2.31
NIXON	K	73	4.00	27.00	2.70	1.30
	1-5	410	18.00	27.50	14.91	3.09
OHLONE	K	100	4.50	27.00	3.70	0.80
	1-5	502	22.50	27.50	18.25	4.25
PALO VERDE	K	65	3.00	27.00	2.41	0.59
	1-5	351	15.00	27.50	12.76	2.24
YOUNG FIVES	K	66	3.00	27.00	2.44	0.56
TOTAL ELEMENTARY		5,697	255.00		207.79	47.21
JORDAN		986	53.63	28.50	48.44	5.19
JLS		984	53.42	28.50	48.34	5.08
TERMAN		676	36.78	28.50	33.21	3.57
TOTAL MIDDLE		2,646	143.83		129.98	13.85
GUNN		1,792	79.89	28.50	77.09	2.80
PALY		1,900	84.49	28.50	81.73	2.76
TOTAL HIGH		3,692	164.38		158.82	5.56
TOTAL DISTRICT		12,035	563.21		496.59	66.62

PALO ALTO UNIFIED SCHOOL DISTRICT

**Parcel Tax Community Oversight Committee Report to the Board of Education
For the 2012-2013 School Year
Report Completed November 1, 2013**

**Re: Palo Alto Unified School District
Quality Public Education Preservation Act of 2010 (the “Parcel Tax”)**

BACKGROUND

On May 10, 2010, the citizens of Palo Alto approved a parcel tax in the amount of \$589 per parcel per year for six years that increases 2% per year, effective July 1, 2010. The passing of Measure A renewed and extended the expiring parcel tax for the Palo Alto Unified School District (“PAUSD”). As stated in the ballot measure, the purpose of the renewed parcel tax is:

*“To preserve excellence in core academic programs, including reading, writing, and science;
reduce the impact of deep budget cuts with stable locally-controlled funding;
minimize teacher layoffs and class size increases; continue teacher professional
development; and help protect critical high school electives, including arts and music...”*

On November 29, 2011, the Board of Education of PAUSD appointed a Parcel Tax Oversight Committee (the “Committee”), made up of individuals who live in the School District. The current members of the Committee are:

- Jim Baer
- Anupa Bajwa
- Megan Swezey Fogarty
- George Jaquette
- Ben Lenail
- Erik Rausch
- Anne Rockhold
- Steve Schlenker
- Jeff Traum
- Sanjay Verma

The Parcel Tax Oversight Committee met on October 14, 2013, to review the parcel tax expenditures reports for 2012-2013. We have completed our review, and our conclusions are summarized below.

STUDY BASIS

PAUSD staff (Chief Business Officer, Cathy Mak, and Fiscal Services Manager, Yancy Hawkins) provided the Committee with background materials on the parcel tax, the district’s revenue and expenditure data for fiscal year 2012, and the use of these funds across all schools. Lenny Danna, Partner with Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants & Consultants (“VTD”), the independent CPA firm that

audits PAUSD, presented the procedures that his firm performed to assist the Committee in determining whether funds generated from the parcel tax for the year ended June 30, 2013, were, in fact, used for the purposes set out in the ballot measure.

The Palo Alto Parcel Tax Report by VTD detailed nine specific items that the Board had identified for use of the parcel tax revenues for the 2012-2013 school year. It shows both amounts forecasted by the Board and actually incurred, along with a comparison showing how much each line item was either over or under their estimated forecast. Note that this was not an audit. VTD did, however, perform specific procedures to test the reasonableness and logic of PAUSD's calculations and allocations of costs to the parcel tax. Furthermore, where appropriate, VTD reviewed payroll records to verify the District's calculations and the reasonableness of the parcel tax expenditures.

COMMITTEE CONCLUSIONS

Parcel Tax Oversight Committee members discussed the school budget, the major factors influencing the budget (growth in enrollment, state funding, class size etc.), and the parcel tax budget and mechanics of its operation. The Committee members remain committed to be active, knowledgeable participants in the oversight of the parcel tax and appropriate expenditure of funds. We feel it is important for Committee members to articulate to tax payers and other constituents the impact of, and trends related to, parcel tax collection and expenditures.

The net parcel tax revenue received by PAUSD for 2012-2013 equaled \$11,922,184, which was \$22,184 more than the \$11,900,000 forecasted for the year and \$249,578 more than the 2011-2012 fiscal year based on the 2013 tax of \$613 per parcel. The actual expenses for the identified parcel tax expenditures were equal to the net parcel tax revenue.

The committee noted that the parcel tax revenue was responsible for almost 70% of the funds used to preserve reduced class sizes in PAUSD schools, and that this expenditure was directly responsible for helping save the equivalent of 46 classroom teacher positions. The committee noted even this number was probably conservative as it was based on average teacher compensation.

The committee also recognized that almost all literacy and math specialists were funded through the parcel tax (excluding any site-specific supplements). And 9% of the budget for librarians and for school psychologists and counselors was funded through the parcel tax expenditure, areas strongly valued by the community.

In addition, 17 full time equivalent teacher positions were fully-funded by the parcel tax to support the continued increase in student enrollment. This number was up from 11 positions in the 2011-2012 budget, and we were informed by district staff that this is likely to increase further in 2013-2014 based on enrollment growth projections.

The State of California began its “fair share reduction” for Community Funded school districts, such as Palo Alto, in 2009-2010 and funding from the State had steadily decreased. Today 8.92% of the funds (about \$7,150,000) that PAUSD would otherwise expect to have for its students are effectively taken away by State reductions. Funds from the parcel tax had been used, in previous years, towards off-setting those reductions. However, as more teachers will be needed to support increased enrollment, the parcel tax expenditure will focus on supporting the cost of these additional positions leaving lesser amounts to backfill the State Fair Share Reduction.

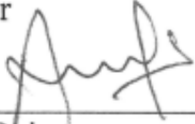
The Committee recognized the positive actions taken by the PAUSD business office at the prior suggestion of the Committee, including (a) establishing a dedicated e-mail address parceltax@pausd.org to accept questions and queries about the annual report of the Community Oversight Committee and the parcel tax; (b) reporting measurable criteria of the positive impact of parcel tax expenditures on number of FTEs; (c) presenting a more detailed breakdown of parcel tax expenditures to backfill State Fair Share Reduction and (d) including in its reports the parcel tax expenditure as a percent of total District expenditure.

The Committee also engaged the PAUSD staff in a conversation on the value of additional ways to communicate with Palo Alto tax payers the significant impact of the parcel tax on sustaining school excellence. The Committee recommended engaging the district’s new communications director to discuss how best to share with the community the real and meaningful difference these funds have on students and their educational experience.

The Committee compliments the PAUSD staff and the auditor for their earnest work on behalf of the District and tax payers.

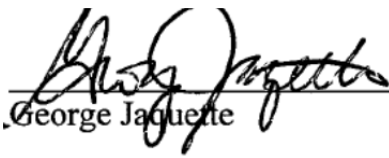
Based upon the Committee’s review of the Procedures Report by VTD, the presentations of Mr. Danna and the PAUSD staff, and our review of the text of the parcel tax, the Committee believes that PAUSD spent the parcel tax revenue in fiscal year 2012-2013 entirely for the purposes set forth in the ballot measure approved by Palo Alto voters in May 2010.

Jim Baer

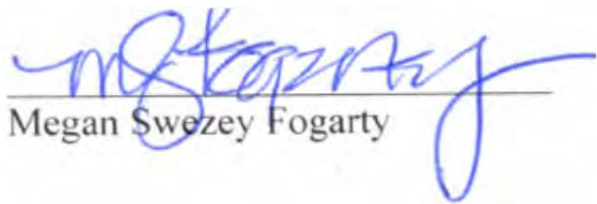


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