

Budget Executive Summary

Attached is the 2018-19 First Interim Budget report. This document is divided into the following sections:

I. General Fund Budget

This section outlines all the changes since budget adoption on June 27, 2018.

II. General Fund Three-Year Financial Model

The three-year financial model is the focal point of prudent budget decision making. Having a full understanding of the long-term implications of decisions is a prerequisite to sound financial management. The model shows the assumptions used. These assumptions will change over time, and this model will be updated regularly.

III. Other Funds

Cafeteria, Deferred Maintenance, Basic Aid Reserve, Building, and Developer's Fees are separate funds. The budgets for 2018-19 are included in this section.

California State forms which include certification, forms for each of the district's funds, criteria and standards are included after the Other Funds section. This budget complies with state criteria and standards.

I. GENERAL FUND BUDGET (see Attachment A)

Attachment A shows the comparison between the District's general fund budget at 1st Interim (column a) and the adopted budget (column b). Column c shows the changes between the two. The changes are explained below:

Revenues:

- LCFF Sources decrease of (\$2,112): Decrease due to decrease in enrollment.
- Property taxes increase of \$147,847: Increase of secured taxes by 1% or \$120,983. Unsecured taxes and homeowner's exemptions increase by \$26,864. Secured taxes are projected at 5.25% growth over 2017-18.
- Federal Revenues increase of \$8,867: Additional revenues from federal government (Title II and III). PVSD is not eligible for Title I and IV funds for 2018-19.

- State Revenues increase of \$305,701: One-time discretionary State revenues of \$102,848 and Proposition 39 Energy Savings Revenues of \$202,853.
- Miscellaneous Revenues increase of \$178,599:
 - Unrestricted funds \$84,343: Engage Space reimbursement of \$38,950; Interest income \$20,000; rental income \$7,500, and other miscellaneous income \$15,000 and parcel taxes of \$2,893.
 - Restricted funds \$94,256: Local donations from PTO for classroom supplies, PV Foundation for Fund a Need, and class field trips.

Increase of Revenues: \$638,901

Expenditures:

- Certificated Salaries decrease of (\$229,781): Savings from not filling an administrator vacancy, special education teacher position and reducing the substitute budget to reflect prior year actuals.
- Classified Salaries decrease of (\$68,081): Savings from not filling an instructional aide position. Half year savings from the vacancy of the maintenance technician.
- Employee Benefits increase of \$195,085: Increase due to an additional \$290,881 for the payoff of the teachers' pension retirement incentive obligations coupled with savings from the staffing vacancies. The total amount paid in 2018-19 for the retirement incentive obligation is \$439,407. Early payoff of the obligation will help reduce interest expense in the future years.
- Supplies increase of \$78,646
 - Unrestricted increase of \$27,500: To upgrade District's wifi access points, switches, and cabling making use of the matching funds from government's Erate program.
 - Restricted funds increase of \$51,146 mainly from local donations (PTO, PV Foundation).
- Services and Other Operating Expenses increase of \$206,357
 - Unrestricted decrease of \$65,454: Reduce \$100,000 facilities contingency which can be charged to the bond fund and \$50,000 miscellaneous contingency. The budget is increased by \$30,000 for Superintendent search, Engage Space project \$38,950, and expense reclassification of \$20,000 from "other outgo" below.
 - Restricted funds increase of \$271,811: Increase due to Proposition 39 Energy Savings of \$253,471 (\$202,853 of additional new revenues and

\$50,618 received from past years) and \$18,340 from the corresponding local donations from PTO, PV Foundation.

- Other Outgo decrease of \$34,000: \$20,000 due to expense reclassification to Services above, and \$14,000 is reduction in special education expense.

Increase of Expenditures: \$148,227

Net increase of Revenues over Expenditures: \$490,674

Transfers to Other Funds:

- Transfers to the Cafeteria Fund (13) to subsidize the food service program of \$20,000
- Transfers to the Deferred Maintenance Fund (14) to improve reserves \$265,000
- Transfers to the Basic Aid Reserve Policy Fund (17) per District Reserve Policy \$200,000

Total Transfers Out: \$485,000

Net Decrease to Fund Balance: (\$43,284)

Fund Balance

The projected General Fund ending balance at June 30, 2019: \$1,524,237.

The total available reserve is \$1,567,624 or 10% of the total General Fund Expenditures and Transfers Out.

Fund balance includes setting aside \$300,000 for unexpected facilities repairs and \$100,000 for new classroom furniture. The components of the fund balance are as follows:

Assigned: Restricted Programs	467,981	
Assigned: Facilities Repairs	300,000	
Assigned: Classroom Furniture	100,000	
Restricted & Assigned Reserves	867,981	
Reserve: Economic Uncertainty (A)	627,103	4.0%
Unassigned/Unappropriated (B)	29,153	0.2%
Total General Fund Balance	1,524,237	
Basic Aid Reserve Policy in Fund 17 (C)	911,368	5.8%
Total Available Reserves (A)+(B)+(C)	1,567,624	10.0%

Note that negotiations with CSEA, unrepresented classified, student services, and administrative staff are not yet settled for 2018-19. Salary increase is not included in the budget presented for these employee groups. The three-year contract with the teacher’s union expires in June 2019.

II. General Fund Three-Year Financial Model (see Attachment B)

Enrollment

Enrollment projections for 2019-20, 2020-21 and 2021-22 are 574, 562, and 559 respectively. These projections are from the District’s demographer.

Revenue Projections

Property Taxes

This item includes revenue from the secured roll, unsecured roll, and homeowners’ exemptions. The budget assumes increases in secured rolls of 4% in 2019-20 and 3% in 2020-21 and 2021-22. Other taxes assumed flat. These projections will be revisited as additional information is received.

Voluntary Transfer Program Revenue

The District receives 70% from the sending District’s Local Control Funding Formula (LCFF) base grant amount for voluntary transfer students. Cost-of-Living-Adjustments (COLA) have been applied to this revenue stream. The source of these COLA estimates is School Services of California (SSC).

Parcel Tax

Measure O passed in May, 2013 for 8 years (7/1/13 -- 6/30/21) of \$581 per parcel with no annual escalation. Measure O does not include tax revenues for 2021-22. However, the projection assumes a successful renewal and the revenue of \$1.2 million is included in the projection for 2021-22.

Foundation Grant

Revenue of \$900,000 annual campaign funds is budgeted from the Foundation.

Special Education Revenue

The projected revenue assumed a small cost escalation for the out years.

Lottery Income

Lottery income has been projected based on enrollment projection and estimated changes in the rate. The source of these rate estimates is School Services of California (SSC).

Solar Rebates

Solar Rebates are not included in the projections.

Expenditure Projections

Certificated Step/Column and Attrition/Retirement Savings

Step and Column increase of 2% is included in the projection. The budget assumes no change in number of classrooms and restoring the Director of Curriculum/Technology position.

Classified Step/Column and Attrition/Retirement Savings

Step and Column increase of 2% is included in the projection. The budget assumes no change in classified staffing.

Employee Compensation

Salary increases are not included in any of the out years for the employee groups.

Health Benefit Costs

The health benefit costs are based on the same elections made for the current year with an 8% increase each of the out-years.

STRS Rate

The following table displays the CalSTRS Employer Rate:

	2017-18	2018-19	2019-20	2020-21	2021-22
CalSTRS rate (statutory)	14.43%	16.28%	18.13%	19.10%	19.10%
Increase over prior year %	1.85%	1.85%	1.85%	0.97%	0.00%

PERS Rate

The following table illustrates the CalPERS Employer Rate (published by School Services of California Financial Projection Dashboard). Please note the rate is final for 2018-19 fiscal year and future years are projections.

	2017-18	2018-19	2019-20	2020-21	2021-22
CalPERS rate (Projected)	15.53%	18.06%	20.80%	23.50%	24.60%
Increase over prior year %	1.6%	2.5%	2.7%	2.7%	1.1%

Textbook Adoption

Science textbook adoptions (grades K-5 and 8) of \$100,000 in 2019-20.

Routine Maintenance

The contributions to the Routine Maintenance Fund will be: \$651,756 for 2019-20 and \$664,791 for 2020-21, and \$678,086 for 2021-22. The required amount is at least 3% of the district’s projected general fund expenditures.

Increase in Utilities Expense

It is projected the costs will increase by 5% each year.

Fund Balance Reserves

The projection includes setting aside an additional \$100,000 each year from reserves for new classroom furniture.

NEXT STEPS

Following approval of the First Interim report in December, the Board will be provided with an update on the Governor’s 2019-20 budget proposals at the February Board meeting.

Portola Valley School District
General Fund - 1st Interim
2018-19

12/5/2018

ATTACHMENT A

Description	Object Code	2018-19 1st Interim (December)		2018-19 Budget Adoption (June)		Change	
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Revenue Detail							
LCFF Sources	8011, 8096		289,439	824,863	537,536	289,439	826,975
Property Taxes Revenues	8019, 804X	11,510,687	-	11,510,687	11,362,840	-	147,847
Federal Revenues	8100-8299	-	115,733	115,733	-	106,866	8,867
State Revenues STRS on-behalf pens	8300-8599	-	559,219	559,219	559,219	-	-
State Revenues Other	8300-8599	209,617	233,962	443,579	106,770	31,109	137,879
Other Local Revenues	8600-8799	2,791,647	153,556	2,945,203	2,207,104	59,300	2,266,604
Transfer to Deferred Maintenance	8091	-	-	-	-	-	-
Total Revenues		14,547,375	1,351,909	15,899,284	14,214,450	1,045,933	15,260,383
Expenditure Detail							
Certificated Salaries	1000-1999	5,841,056	681,214	6,522,270	5,989,616	762,435	6,752,051
Classified Salaries	2000-2999	1,373,722	517,112	1,890,834	1,402,640	556,375	1,958,915
Employee Benefits	3000-3999	2,993,723	425,811	3,419,534	2,757,499	466,949	3,224,448
Employee Benefits-CalSTRS on behalf	3000-3999	-	559,219	559,219	-	559,219	-
Books and Supplies	4000-4999	579,576	87,590	667,166	552,076	36,444	588,520
Services, Other Operating Expenses	5000-5999	1,152,279	869,656	2,021,935	1,217,733	597,845	1,815,578
Capital Outlay	6000-6999	-	-	-	-	-	-
Other Outgo (excluding IC)	7000-7299	260,616	115,994	376,610	280,616	129,994	410,610
Other Outgo	7300-7399	-	-	-	-	-	-
Total Expenditures		12,200,972	3,256,296	15,457,268	12,200,180	3,109,161	15,309,341
Excess / (Deficiency)		2,346,403	(1,904,387)	441,716	2,014,270	(2,063,228)	(48,958)
Other Financing Sources/Uses							
Transfers In	8900-8929	-	-	-	-	-	-
Transfer Out - Fund 14	8091	(265,000)	-	(265,000)	-	-	-
Transfer Out - Fund 17	7600-7629	(200,000)	-	(200,000)	-	-	-
Transfer Out - Fund 13	7600-7629	(20,000)	-	(20,000)	(11,660)	-	(11,660)
Contributions to Special Education Program	8930-8999	(1,248,553)	1,258,553	-	(1,422,766)	1,422,766	-
Contributions to Routine Restricted Maintenance		(482,530)	582,530	-	(638,976)	638,976	-
Contributions to Other Restricted Programs		(5,500)	5,500	-	(5,500)	5,500	-
Total, Other Sources/Uses		(2,301,583)	1,846,583	(455,000)	(2,078,902)	2,067,242	(11,660)
Net Inc/Dcr to Fund Balance		14,820	(58,104)	(43,284)	(64,632)	4,014	(60,618)
Beginning Fund Balance		1,041,436	526,085	1,567,521	1,041,436	526,085	1,567,521
Ending Balance, June 30		1,056,256	467,981	1,524,237	976,804	530,099	1,506,903
Components of Ending Fund Balance							
Restricted: Federal/State/Local Programs		-	-	-	-	-	-
Assigned: Facilities Repairs		467,981	300,000	767,981	(62,118)	-	(62,118)
Assigned: Furniture and Fixture Refresh		100,000	-	100,000	100,000	-	100,000
Reserved for Economic Uncertainty		627,103	-	627,103	14,263	-	14,263
Total Restricted/Assigned/Reserved		1,495,084	300,000	1,795,084	352,145	-	352,145
Unassigned		29,153	-	29,153	-	-	-
Total Ending Fund Balance - General Fund (01)		1,524,237	300,000	1,824,237	1,041,436	530,099	1,571,535
Special Reserve Fund Balance (Fund 17)		911,368	-	911,368	200,000	-	200,000
Total Available Reserves (Fund 1 and 17)		1,557,624	-	1,557,624	(120,548)	-	1,437,076
Available Reserves %		10.00%		10.00%	11.02%		11.02%

III. Other Funds

2018-19 1st Interim Budget Report

CAFETERIA SPECIAL REVENUE (Fund 13):

Used to account separately for federal, state, and local resources to operate the food service program (CA Ed. Code § 38090 and 38093). The principal revenues in this fund are: Child Nutrition Programs (Federal) Child Nutrition Programs (State) Food Service Sales Interest All Other Local Revenue. Fund 13 will only be used for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (CA Ed. Code § 38091 and 38100).

DEFERRED MAINTENANCE (Fund 14):

Historically used to account for state apportionments and the District's contribution for deferred maintenance purposes. With the implementation of the Local Control Funding Formula, LEAs are no longer required to keep a separate fund. However, the District continues with the old model to keep a separate fund. Revenue comes from interest income and expenditures include repairs and maintenance for all District sites.

SPECIAL RESERVE FOR OTHER THAN CAPITAL OUTLAY PROJECTS (Fund 17):

Used for the accumulation of general fund monies for general operating purposes to be used in the future. Fund 17 is not for capital outlay. Board policy recommends a 12% reserve which will be recorded in this fund. The 12% reserve is funded by a combination of the unrestricted general fund balance and the Special Reserve Fund.

BUILDING AND BOND PROJECTS FUND (Fund 21):

Records the revenue and expenditures resulting from Measure Z bond issue of \$49.5 million approved by the voters on November 6, 2018. These funds are for Phase I of the facilities master plan projects in addition to repairs, improvements and renovation expenditures to school buildings and classrooms such as water intrusion and mold damages to certain buildings at the Corte Madera School. The District anticipates to issue bonds in April or May 2019 to fund early stages of project costs such as architects, construction manager, consultants and construction costs. The amount of \$546,286 is an estimate to cover projected costs through 2018-19 only. The District is in the process of preparing a cash flow analysis to fund the first three

years of bond projects. The Proceeds from Bond Sales will be adjusted at the second interim to reflect the actual issuance amount.

CAPITAL FACILITIES (Fund 25):

Accounts for monies received from fees levied on developers (i.e, Developer Fees), or other agencies as a condition of approving a development. The interest earned in this fund is restricted to this fund. The expenditures in this fund are restricted to the purposes specified in agreements with the developer or specified in Government Code. The play structure and area improvement is partially funded by this fund.

The following chart lists the financial summary of Other Funds for 2018-19:

2018-19 1st Interim	Cafeteria Fund 13	Deferred Maintenance Fund 14	Special Reserve Fund 17	Building or Bond Fund Fund 21	Capital Facilities Fund 25
REVENUES					
Federal Sources	29,760				
Other State Sources	1,600				
Other Local Sources	103,100	1,000	12,000	(500)	81,000
Proceeds from Bond Sales				546,286	
Transfers-in From Other Funds	20,000	265,000	200,000		
TOTAL OPERATING REVENUE	154,460	266,000	212,000	545,786	81,000
EXPENSES					
Classified Salaries					
Employee Benefits					
Supplies/Materials	3,325				
Services and Other Operating Expenses	142,795	50,000		500,000	16,000
Capital Outlay				-	-
Transfer-out to Other Funds	-		-		
TOTAL OPERATING EXPENSE	146,120	50,000	-	500,000	16,000
Revenues over (under) Expenses	8,340	216,000	212,000	45,786	65,000
Beginning Fund Balance	271	96,954	699,368	(45,786)	117,378
Ending Fund Balance	8,611	312,954	911,368	-	182,378