

**Portola Valley School District
2018-19 Parcel Tax Expenditures Report**

BACKGROUND

On May 7, 2013, the Portola Valley voters approved Measure O – the Portola Valley Elementary School District Parcel Tax – in the amount of \$581 per parcel. This parcel tax for the Portola Valley School District (“District”) replaced and consolidated two expiring education parcel taxes, Measure C and Measure D. Measure O will continue to support high academic achievement in math, science, reading, writing, and technology; attract and retain highly qualified teachers; support music/art programs; and provide ongoing teacher training. The voters authorized a Parcel Tax of \$581 per year for 8 years, including an independent community oversight committee, an exemption for senior citizens and disabled persons, and a commitment that no funds will be used for administrator salaries or benefits and that all funds stay in this community to promote student achievement. Specifically, the Parcel Tax proceeds will support the following purposes:

- Maintain quality math, science, reading and writing instruction;
- Develop advanced programs in engineering and technology;
- Keep class sizes small;
- Support art and music programs; and
- Retain qualified/experienced teachers

INCOME

The parcel tax of \$581 per parcel was recorded for 2018-19. There were 2,786 available parcels. There were 703 exemptions on the tax roll; The net amount received from the parcel tax in 2018-19 was \$1,205,522 which is approximately 8 percent of the total general fund revenues. The table below shows the derivation of the parcel tax revenue in 2018-19:

2018-19 Parcel Tax Revenue		
	Parcels	Revenues
July 2018 Roll @ \$581	2,782	\$1,616,342
July 2018 Roll @ \$145.24	4	\$ 581
Less Exemption	(703)	\$ (408,443)
Total Assessment	2,083	\$1,208,480
County Collection Fees (\$1.42 per parcel)	2,083	\$ (2,958)
Net Revenue		<u>\$1,205,522</u>

EXPENDITURES

As previously stated, the 2018-19 parcel tax was designated for the following areas of expenditure: maintain quality math, science, reading and writing instruction; develop advanced programs in engineering and technology; keep class sizes small; support art and music programs; and retain qualified/experienced teachers. The parcel taxes paid for about 8.0 FTE teaching positions. The District has 48.13 FTE certificated positions which include classroom teachers, two counselors and one psychologist in 2018-19. Please see **Exhibit A** for Class Size Reduction Teacher calculations.

The table below shows the expenditures from the parcel tax in 2018-19.

2018-19 Parcel Tax Expenditures		
Expenditures	Full Time Equivalent	Allocation
Science Teacher	1.0	\$ 151,600
Math Teacher	2.0	\$ 238,343
Music Teacher	2.0	\$ 343,870
Reading Teacher	1.0	\$ 141,522
Class Size Reduction Teachers	2.0	\$ 330,188
Total Expenditures	8.0	\$ 1,205,522

The revenue and expenditure data in this report were audited by the District's external auditor, Vavrinek, Trine, Day & Co., LLP, and no exceptions were found. The auditor's report is available for review in the Business Office. The partner of the firm, Ms. Joyce Peters, discussed the audit procedures and results with the district's Parcel Tax Oversight Committee on October 7, 2019.

EXHIBIT A

**Class Size Reduction Teachers
2018-19**

SCHOOL	GRADES	2018-19	Actual	Actual	Class Size	Classroom	Additional
		Enrollment As of 9.6.18	Classroom Teachers (full time equivalent)	Class Size			
			(a)			(b)	(a) - (b)
ORMONDALE	TK	12	1.00	12.00	25.00	0.48	0.52
	K	63	3.00	21.00	26.00	2.42	0.58
	1	67	3.00	22.33	29.00	2.31	0.69
	2	56	3.00	18.67	29.00	1.93	1.07
	3	67	3.00	22.33	29.00	2.31	0.69
CORTE MADERA	4	62	3.00	20.67	29.00	2.14	0.86
	5	71	3.00	23.67	29.00	2.45	0.55
	6,7,8 *	176	15.33	11.48	29.00	8.37	6.96
TOTAL DISTRICT		574	34.33			22.41	11.92
Funded by Parcel Tax							8.00
Funded by General Fund							3.92

* Class sizes for core classes are smaller then elective classes

The following positions were not included in the counts above:

	Ormondale	Corte Madera	Total
Literacy Intervention	1.40	0.60	2.00
Spanish	0.80		0.80
Physical Education	1.00		1.00
Speech & Language	0.50	0.50	1.00
Science	0.83	0.17	1.00
Music	0.83	0.17	1.00
Counselor	1.00	1.00	2.00
Pyschologist	0.50	0.50	1.00
Special Education	1.00	3.00	4.00
	7.86	5.94	13.80
Total positions			48.13

**PVSD Parcel Tax Spending Analysis
Measure O**

	Fiscal Year Ending						
	2013	2014	2015	2016	2017	2018	2019
REVENUE:							
Revenue inflation factor for year:							
1. Revenue (non-parcel tax sources)	\$ 11,504,805	\$ 11,477,598	\$ 11,896,869	\$ 12,873,818	\$ 12,845,767	\$ 13,793,578	\$ 14,624,475
2. Parcel tax revenue	\$ 987,133	\$ 1,172,127	\$ 1,180,743	\$ 1,187,555	\$ 1,191,611	\$ 1,201,462	\$ 1,205,522
3. Total revenue (1) + (2)	\$ 12,491,938	\$ 12,649,725	\$ 13,077,612	\$ 14,061,373	\$ 14,037,378	\$ 14,995,040	\$ 15,829,997
EXPENDITURE:							
Expenditure inflation factor for year:							
4. Expenditures teaching/allowable categories % of tot. spending:	\$ 7,595,325 65.2%	\$ 8,139,776 65.9%	\$ 8,236,942 66.1%	\$ 9,608,809 69.5%	\$ 10,010,856 70.2%	\$ 9,899,584 68.4%	\$ 10,373,146 71.4%
5. Expenditures non-teaching categories	\$ 4,061,744	\$ 4,212,802	\$ 4,223,587	\$ 4,224,432	\$ 4,258,065	\$ 4,566,928	\$ 4,150,931
6. Total expenditures (4)+(5)	\$ 11,657,069	\$ 12,352,578	\$ 12,460,529	\$ 13,833,241	\$ 14,268,921	\$ 14,466,512	\$ 14,524,077
7. Surplus / (deficit) (3) - (6)	\$ 834,869	\$ 297,147	\$ 617,083	\$ 228,132	\$ (231,543)	\$ 528,528	\$ 1,305,920
8. Increase in allowable spending above parcel tax increase (4) incr - (2) incr (must be >=\$0)	\$ -	\$ 359,457	\$ 88,550	\$ 1,365,054	\$ 397,991	\$ (121,122) underspent	\$ 469,501
9. Cumulative excess (or underspending) of parcel tax in allow. cats. Cuml (8) (must be >=\$0)	\$ -	\$ 359,457	\$ 448,007	\$ 1,813,061	\$ 2,211,052	\$ 2,089,930	\$ 2,559,431

Citizens Parcel Tax Oversight Committee(CPTOC) Report FY 2018-19

The Committee met on October 7, 2019, to examine and discuss applicable financial reports, and to reach a conclusion as to whether all of the FY 2018-19 Measure O school parcel tax receipts were spent in an authorized manner in accordance with the ballot language. This report and the attached supporting documentation, which was shared with the Committee, comprises the basis of the assessment made by the Committee.

PVSD Chief Business Official Connie Ngo summarized the purposes of the Measure O funds, and the responsibilities of the CPTOC. Ms. Ngo reported total parcel tax assessments of \$1,208,480, with net revenue of \$1,205,522 after County collection fees applied. She then presented the 2018-19 Parcel Tax Expenditure table, showing that the entire \$1,205,522 amount was expended for 8.0 Full-Time Equivalent (FTE) teachers in Science (1.0), Mathematics (2.0), Music (2.0), Reading (1.0) and class size reduction teachers (2.0).

Ms. Ngo also shared a slide show that had been presented at the June 5, 2019 Regular Board meeting regarding the District's 2019-20 Budget. This presentation included a financial summary of the District's General Fund revenue and expenditure for the 2018-19 fiscal year and projections for the four out-years through 2022-23. It also included revenue and expenditure budget assumptions used for the out-years and the rising pension costs in the past and future years. This presentation was not relied upon by the Committee when making its assessment of spending in compliance with the ballot measure language.

PVSD's external auditor, Vavrinek, Trine, Day & Co., LLP, represented by Ms. Joyce Peters, attended the meeting. Ms. Peters presented her firm's Measure O Parcel Tax Audit Report and answered questions from the Committee members. The auditor's report letter stated that in their opinion, the financial statements they audited fairly represent, in all material respects, the respective financial position of Measure O for the year ended June 30, 2019.

The Committee reviewed a second report prepared by Ms. Ngo entitled, "Class Size Reduction Teachers 2018-19." This report identified 34.33 actual FTE classroom teachers against a minimum of 22.41 classroom teachers required to meet allowable class sizes (excluding 13.80 teachers from specialty categories). Of the approximately

11.92 additional teachers above required minimums, Ms. Ngo showed that the parcel tax proceeds funded approximately 8 of those additional teachers (at an average of \$150,000 per teacher, fully burdened cost.)

The Committee reviewed a third report prepared by Ms. Ngo based upon a template suggested and supplied by Committee member William Urban. This report is designed to test whether the total spending in allowable Measure O categories, each year and over the entire history of the parcel tax, equaled or exceeded the changes/increases in parcel tax proceeds each year and over the entire history of the parcel tax. If so, this is another confirming indicator that all parcel tax proceeds are in fact being used to increase spending in those categories. Since money is fungible, and revenue received from the parcel tax might be assigned to fund account numbers in the budget that match the allowed purposes, there may not otherwise be assurances that some parcel tax money is not, in reality, simply backfilling unrestricted general fund monies that would otherwise be spent in those categories, but can now be moved to other non-allowed purposes.

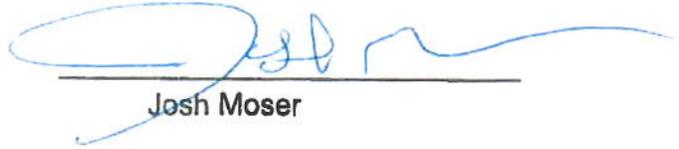
This third report reported that over the past six fiscal years, the total spending in allowable Measure O categories was \$2,559,431 greater than the cumulative \$7,139,020 parcel tax proceeds—demonstrating that not only was all parcel tax revenue spent as required, but that an additional \$2.56 million of revenue from non-parcel tax sources was spent in these categories. Only in 2017-18 fiscal year was there a \$121,122 decrease in total spending from all revenue sources, for those same Measure O allowable categories, even though parcel tax revenues increased \$9,851 from the previous year. It is the judgment of the Committee that this decrease does not represent a reassignment of parcel tax revenues to other uses, but that parcel taxes were fully expended as required and that the one year reduction occurred from other general revenue sources as a result of one time expenditures from the prior year (i.e. textbook adoption) and the District's declining enrollment.

Based on the three referenced reports and the Committee's judgment and assessment of their relevance, the Committee has concluded that all of the 2018-19 parcel tax funds were spent in accordance with the ballot language.

Portola Valley School District 2018-19 Parcel Tax Committee Members:



Hilary Giles



Josh Moser



Josh Raffaelli



Teresa Richard



Wayne Rickert



William Urban

Absent:

Katherine Hall