

**Pleasant Valley School District
2016-17 Adopted Budget Report
June 2, 2016**

Introduction

The California Education Code requires that school district governing boards act each year to adopt a budget for the following fiscal year. Pleasant Valley School District uses the "Single Budget Adoption" process which requires Board approval on or before July 1. The adopted budget must be forwarded to the Ventura County Superintendent of Schools Office for review and upon approval, forwarded to the State. Staff is providing the Board of Trustees with a report of the proposed 2016-17 Adopted Budget. To allow approval of a budget by June 30, estimates of 2015-16 expenditures, revenue and fund balances have been used in place of actual information, which will not be available until September, 2016. The Adopted Budget will be presented to the Board for approval at the June 16, 2016 Board meeting.

Background

Passed in 1991, AB 1200, in conjunction with education codes relating to budget preparation, adoption, and interim revisions, were created because of the need to ensure that local educational agencies throughout California adequately prepare to meet their financial obligations. AB 1200 is a statewide plan for county offices of education and school districts to work together on the local level to improve fiscal procedures, standards, and accountability. The law was rooted in the concerns that arose following the bankruptcy of Richmond School District, and the fiscal collapse of a few other districts that were preparing to seek emergency loans from the State. AB 1200 expanded the role of county offices of education in monitoring school districts and mandates that they intervene, under certain circumstances to ensure districts can meet their financial obligations. The passage of AB 1200 sent a strong message to local educational agencies to put and keep their finances in order.

Passed in 2004, AB 2756 mandated significant revisions to the criteria and standards to improve the fiscal monitoring and oversight of school districts. Effective June 2008, it was further amended to update the formulas and methodologies used by districts in calculating budget projections and to require school districts to provide supplemental information under specified circumstances.

Discussion

Governor's Proposed 2016-17 State Budget

The Governor's 2016-17 May Revision reflects an improving economy and increased state revenue growth. The May Revision shows an increase in funding to implement the Local Control Funding Formula (LCFF) and provides one-time discretionary funding for school districts. The remaining increased funding primarily is going towards paying down state debts and making a deposit of \$2 billion into the state's Rainy Day Fund.

Proposition 98 is a provision in the State Constitution that establishes the minimum funding level for K-14 education. The Governor's May Revision shows Proposition 98 funding increasing \$71.9 billion. The May Revision also acknowledges that the Proposition 98 maintenance factor, the amount owed to K-14 education to restore the cuts imposed during the recession, will slow considerably once this maintenance

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factor has been fully paid. Growth will likely be in the range of 2% to 4% annually. It was also noted that if a recession occurs and Proposition 30 (higher temporary tax rates) is not extended, state revenues could drop below prior-year levels, and cuts to education could be on the table again.

The Governor's January Budget estimated the 2016-17 statutory COLA at 0.47%. Based on actual Implicit Price Deflator factors available for the May Revision, the inflation adjustment round to zero (0%). COLA does not affect LCFF funding and the remainder of the gap will be closed by 54.84%. The Governor also proposes spending \$1.4 billion, or an estimated \$237 per average daily attendance (ADA), in discretionary one-time funds.

Employer costs for retirement benefits for both the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) are projected to nearly double over the next several years. The Governor's May Revision does not address these cost increases for districts, thus requiring districts to use LCFF funding to cover these increasing costs.

The attached schedules summarize the revenues, expenditures and ending fund balances for the 2014-15 Year End Estimate and the 2015-16 Adopted Budget. Additional information is available in the Adopted Budget.

2015-16 Year End Estimate

The 2015-16 Second Interim Budget and Year End Estimate is presented below.

	2nd Interim MYP	Year End Estimate	Difference
Total Revenue	61,269,886	60,747,977	(521,909)
Total Expenditures	65,531,673	60,292,155	5,239,518
Net Increase (Decrease)	(5,261,787)	(455,822)	(5,717,609)
Beginning Fund Balance	13,796,285	13,796,285	
Ending Fund Balance	8,354,498	14,252,107	

Revenues decreased a small amount while expenditures reflect a decrease of \$5.2 million. Changes in showing program carry-over explains the majority of the decrease in expenditures. Budget will show carry-over for local unrestricted programs in the future. This will decrease the 'fall-out' of funds at the end of each year. The remaining decrease in expenditures is related to revised estimates for utilities, contracts, services, retiree and health benefit costs.

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2016-17 Adopted Budget

There are significant changes between the 2016-17 Estimate presented in the multi-year projection at Second Interim and the Adopted Budget. See the schedule below.

	2nd Interim MYP	Adoption	Difference
Total Revenue	60,895,488	60,485,589	(409,899)
Total Expenditures	61,077,972	64,893,506	3,815,534
Net Increase/Decrease	(182,484)	(4,407,917)	(4,590,401)
Beginning Fund Balance	8,534,498	14,252,107	
Ending Fund Balance	8,352,014	9,844,190	

Revenues reflect a slight decrease of \$400 thousand due to the estimated one-time funding. Expenditures have increased due to the textbook adoption and purchasing new maintenance vehicles.

The 2015-16 Adopted Budget is also presented by three categories - Unrestricted Operations, Local Unrestricted Programs and Restricted Programs. The majority of the District's funding and expenditures are related to the ongoing operations of the District. Unrestricted programs are focused on services identified as a need by the District or required by the State and have varying degrees of flexibility. Restricted programs have specific guidelines on their use and often require reporting how the funds were spent to a Federal or State agency.

Fund Balance

The General Fund ending fund balance is presented below.

	2016-17 Adopted Budget
Cash	5,250
3% State Designated for Economic Uncertainties	1,946,806
Legally Restricted Programs	1,252,265
Local Unrestricted Program Balances	4,814,394
Budget Stabilization	1,825,475
Total	9,814,910

The reserves beyond the 3% State Designated for Economic Uncertainties are needed for a number of reasons, such as future purchases of textbooks and equipment. Budget stabilization reserves are maintained to assist the District in responding to downturns in the economy and school funding. Local Unrestricted Program Balances include programs included in the LCAP.

Instructional Program Implications

The 2016-17 Adopted Budget reflects the Board's focus on supporting effective instruction. Resources have been aligned to support the goals identified in the LCAP.

Facilities

Our facilities have significant needs in terms of maintenance and repair. The district operates a Routine Restricted Maintenance (RRM) account, as required, for accepting state facilities funds in the past. The budget flexibility that reduced the RRM minimum contribution requirement expired with the 2014-15 fiscal year and the district has returned to the 3% contribution requirement for the 2015-16 year. In addition, the General Fund includes \$473,000 of building lease income dedicated to facility and maintenance needs, as well as a transfer of \$241,200 to the Deferred Maintenance Fund.

School Community and Public Support

The Financial Report will be posted on the District's webpage and is available for review at the District Office as a means to keep the public informed of the District's financial status.

Budget Impact

Please see the attached budget document for a financial overview and information on budget assumptions.

District Policy Impact

The recommendations included in this report are consistent with the board of Education policies.

Prepared & Reviewed by

The above information was prepared by Kathy English, Chief Business Official. If you have any questions, please contact Ms. English at 805-383-1563.

Recommendations

The Superintendent recommends the Board approve the 2016-17 Adopted Budget as presented at the June 18, 2015 Board meeting.

Pleasant Valley Elementary School District
Multi Year Projections
2016-17 Adopted Budget

	2016-17 Adopted	change *	2017-18 Estimate	change **	2018-19 Estimate
Revenue					
8010-8099 LCFF/Revenue Limit	49,643,037	2,523,809	52,219,891	4,701,006	53,019,885
8100-8299 Fed Revenue	2,273,853	-	2,273,853	-	2,273,853
8300-8599 Othr State Rev	2,930,301	(1,530,510)	1,399,791	-	1,399,791
8600-8799 Local Revenue	5,638,398	127,907	6,396,305	131,744	6,528,049
8900-8999 Contributions	-	-	-	-	-
Total Revenue	60,485,589	1,121,206	62,289,840	4,832,750	63,221,578
Expenditures					
1100	24,269,380	242,694	24,512,074	245,121	24,757,195
1200	1,279,322	12,793	1,292,115	12,921	1,305,036
1300	3,005,096	30,051	3,035,147	30,351	3,065,498
1900	473,023	4,730	477,753	4,778	482,531
1000 Certificated Salaries	29,026,821	290,268	29,317,089	293,171	29,610,260
2100	2,389,482	23,895	2,413,377	24,134	2,437,511
2200	2,572,664	25,727	2,598,391	25,984	2,624,375
2300	923,239	9,232	932,471	9,325	941,796
2400	2,481,138	24,811	2,505,949	25,059	2,531,009
2900	636,467	6,365	642,832	6,428	649,260
2000 Classified Salaries	9,002,990	90,030	9,093,020	90,930	9,183,950
3000 Employee Benefits	12,794,665	688,158	13,482,823	573,560	14,056,383
4100/4200	2,799,650	(2,440,000)	359,650	-	359,650
4300	2,875,411	(97,127)	2,778,284	13,131	2,791,415
4400	489,100	(6,000)	483,100	-	483,100
4000 Books & Supplies	6,164,161	(2,543,127)	3,621,034	13,131	3,634,165
5200/5300	620,838	-	620,838	(150,000)	470,838
5400	336,000	-	336,000	-	336,000
5500/5900	1,617,690	-	1,617,690	-	1,617,690
5600	722,249	-	722,249	-	722,249
5700	(157,700)	-	(157,700)	-	(157,700)
5100/5800	2,624,856	-	2,624,856	-	2,624,856
5000 Services & Contracts	5,763,933	-	5,763,933	(150,000)	5,613,933
6000 Capital Outlay	630,644	(463,000)	167,644	-	167,644
7100/7400	1,618,000	-	1,618,000	-	1,618,000
7300	(107,708)	-	(107,708)	-	(107,708)
7000 Other Outgo	1,510,292	-	1,510,292	-	1,510,292
Subtotal Expenditures	64,893,506	(1,937,671)	62,955,835	820,792	63,776,627
Other Financing Sources/Uses					
Interfund transfer out	-	-	-	-	-
Subtotal Other Financing	-	-	-	-	-
Total Expenditures	64,893,506	(1,937,671)	62,955,835	820,792	63,776,627
Net Increase/(Decrease)	(4,407,917)	3,058,877	(665,995)	4,011,958	(555,049)
Beginning Balance	14,252,107		9,844,190		9,178,195
Ending Balance	9,844,190		9,178,195		8,623,146

* Estimated changes between 2016/17 and 2017/18

** Estimated changes between 2017/18 and 2018/19

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Multi Year Projections
2016-17 Adopted Budget

	2016-17 Adopted	change *	2017-18 Estimate	change **	2018-19 Estimate
<u>Reserves:</u>					
Cash	5,250		5,250		5,250
Legally Restricted	1,252,265		1,322,143		1,468,235
Designated Econ Uncert	1,946,806		1,889,000		1,914,000
Instructional Materials Adoption	-		-		-
Equipment (Busses, mowers)	-		-		-
Program Balances	4,814,394		4,814,394		4,814,394
Budget Stabilization	1,825,475		1,147,408		421,267
One-time Mandated Costs	2,435,735	Included in program balances			
Payment	1,530,510	Included in program balances			

**Pleasant Valley Elementary School District
2016-17 Adopted Budget
By Category**

	I Unrestricted Operations	II Unrestricted Programs	III Restricted Programs	IV Total Budget
Revenue				
8010-8099 LCFF/Revenue Limit	41,504,943	8,138,094	-	49,643,037
8100-8299 Fed Revenue	35,000	-	2,238,853	2,273,853
8300-8599 Othr State Rev	180,820	2,461,370	288,111	2,930,301
8600-8799 Local Revenue	1,075,008	299,822	4,263,568	5,638,398
Contributions	(14,488,306)	8,258,155	6,230,151	-
Total Revenue	28,307,465	19,157,441	13,020,683	60,485,589
Expenditures				
1000 Certificated Salaries	15,719,819	8,916,837	4,390,165	29,026,821
2000 Classified Salaries	4,986,560	957,708	3,058,722	9,002,990
3000 Employee Benefits	7,247,026	3,147,460	2,400,179	12,794,665
4000 Books & Supplies	1,559,863	3,319,173	1,285,125	6,164,161
5000 Services & Contracts	2,711,986	712,584	2,339,363	5,763,933
6000 Capital Outlay	50,000	445,644	135,000	630,644
7000 Other Outgo	1,023,724	-	486,568	1,510,292
Subtotal Expenditures	33,298,978	17,499,406	14,095,122	64,893,506
Other Financing Sources/Uses				
Interfund transfer out	-	-	-	-
Subtotal Other Financing	-	-	-	-
Total Expenditures	33,298,978	17,499,406	14,095,122	64,893,506
Net Increase/(Decrease)	(4,991,513)	1,658,035	(1,074,439)	(4,407,917)
Beginning Balance	8,769,074	3,156,329	2,326,704	14,252,107
Ending Balance	3,777,561	4,814,364	1,252,265	9,844,190
Reserves:				
Cash	5,250	-	-	5,250
Legally Restricted	-	-	1,252,265	1,252,265
Designated Econ Uncert	1,946,806	-	-	1,946,806
Instructional Materials Adoption	-	-	-	-
Equipment (Busses, mowers)	-	-	-	-
Program Balances	-	4,814,394	-	4,814,394
Restricted Program Balances	-	-	1,252,265	-
Budget Stabilization	1,825,505	-	-	1,825,475

