

**Pleasant Valley School District
2014-15 Adopted Budget Report
June 5, 2014**

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 2014-15 Adopted Budget. To allow approval of a budget by June 30, estimates of 2013-14 expenditures, revenue and fund balances have been used in place of actual information, which will not be available until September, 2014. The Adopted Budget will be presented to the Board for approval at the June 19, 2014 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 2014-15 State Budget

The Governor's Budget for 2014-15 reflects an improving economy. Proposition 98 is a provision in the State Constitution that establishes the minimum funding level for K-12 education. The Governor's January Budget Proposal projected an increase in the 2014-15 Proposition 98 guarantee to \$61.6 billion. The Governor's May Revision acknowledged \$2.4 billion in additional General Fund revenues compared to the January estimates. While many in education anticipated a correlating increase in the Proposition 98 guarantee, the guarantee actually fell to \$60.9 million due to 2012-13 revenue collection revisions by the Department of Finance. These revised totals result in unexpected changes to the Proposition 98 guarantee. The net effect of these changes over the three year period, 2012-13 through 2014-15, is an

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increase in funding of \$242 million. Most of this increase goes to paying for revised estimates of average daily attendance.

The Governor's Budget proposal provides \$4.5 billion for continued implementation of the Local Control Funding Formula (LCFF). The increase equates to a statewide average of 10.7% or \$737 per pupil. For Pleasant Valley School district the increase is 8.5% or \$522 per pupil. This additional LCFF funding will close 28% of the remaining gap between the 2013-14 funding level and the LCFF funding target.

The Governor's May Revision proposes a plan that would provide full funding for the California State Teachers' Retirement System's (CalSTRS) unfunded liabilities, currently estimated at \$74.4 billion, in about 30 years. The Governor estimates that there will be \$450 million more contributed to CalSTRS in 2014-15 through a combination of increased contribution rates. The state's contribution rate would increase from 3.041% to 6.3% over 3 years. The employees' contribution rate would increase from 8% to 9.2% over 3 years. And, the employers' contribution rate would increase from 8.25% to 19.1% over 7 years.

The attached schedules summarize the revenues, expenditures and ending fund balances for the 2013-14 Year End Estimate and the 2014-15 Adopted Budget. Additional information is available in the Adopted Budget.

2013-14 Year End Estimate

The 2013-14 Year End Estimate is nearly the same as the Second Interim Budget. See the schedule below.

	2nd Interim	Year End Estimate	Difference
Total Revenue	49,963,013	50,474,724	511,711
Total Expenditures	53,880,008	54,078,600	198,592
Net Decrease	(3,916,995)	(3,603,876)	313,119
Beginning Fund Balance	13,485,745	13,485,745	
Ending Fund Balance	9,568,750	9,881,869	

The increase in revenues reflects an increase in LCFF funding due to increased average daily attendance (ADA) and a change in funding for county special education programs. In the past, funding for district students attending county special education programs went directly to the servicing county. With the implementation of the LCFF, districts now receive the funding for these students. The funds are transferred to the county through increased excess costs. This transfer is the cause of the increase in expenditures at the Year End Estimate.

2014-15 Adopted Budget

There are significant changes between the 2014-15 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	51,366,191	51,867,291	501,100
Total Expenditures	52,616,900	56,181,902	3,565,002
Net Decrease	(1,250,709)	(4,314,611)	(3,063,902)
Beginning Fund Balance	9,568,750	9,881,869	
Ending Fund Balance	8,318,041	5,567,258	

Revenues reflect an increase of \$501,100 due to increased LCFF funding and the change in state funding of county special education programs. The increase in expenditures of \$3.6 million is due to several factors. The majority of the increase is from a \$2 million textbook adoption. The funds for the adoption had been reserved in the ending fund balance. The change in state funding of county special education programs increased expenditures by \$226,000. An increase of \$127,000 in health benefit costs is anticipated as employees may enroll in plans that provide more coverage, to fully utilize the cap amount available to them. Recently, the hourly rate for Campus Supervisors was increased from \$8.50 an hour to \$10.10, resulting in a \$100,000 increase in expenditures. In addition, the implementation of the goals identified in the Local Control and Accountability Plan (LCAP) and staffing changes result in nearly \$1.2 million in additional costs.

The 2014-15 Adopted Budget is also divided into three categories - Unrestricted Operations, Unrestricted Programs and Restricted Programs. The majority of the District's funding and expenditures is 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.

Instructional Program Implications

The 2014-15 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. In addition to the transfer of \$241,200 to the deferred maintenance fund, the general fund includes \$473,000 of building lease income dedicated to facility and maintenance needs.

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 Cathy Bojorquez, Chief Business Official. If you have any questions, please contact Ms. Bojorquez at 805-383-1563.

Recommendations

The Superintendent recommends the Board approve the 2014-15 Adopted Budget as presented at the June 19, 2014 Board meeting.

**Pleasant Valley Elementary School District
2014-15 Adopted Budget
2013-14 Year End Estimate and 2014-15 Adopted**

	I 2013-14 Year End Estimate	II 2014-15 Adopted Budget
Revenue		
8010-8099 LCFF/Revenue Limit	35,924,473	42,617,426
8100-8299 Fed Revenue	2,389,931	2,087,831
8300-8599 Othr State Rev	6,172,527	1,228,194
8600-8799 Local Revenue	5,987,793	5,933,840
Total Revenue	50,474,724	51,867,291
Expenditures		
1000 Certificated Salaries	24,754,094	25,958,619
2000 Classified Salaries	6,880,210	7,568,210
3000 Employee Benefits	9,517,169	10,441,378
4000 Books & Supplies	5,242,227	5,103,811
5000 Services & Contracts	5,636,275	5,095,772
6000 Capital Outlay	48,340	-
7000 Other Outgo	1,759,085	1,772,912
Subtotal Expenditures	53,837,400	55,940,702
Other Financing Sources/Uses		
Contributions	-	-
Interfund transfer out	(241,200)	(241,200)
Subtotal Other Financing	(241,200)	(241,200)
Total Expenditures	54,078,600	56,181,902
Net Increase/(Decrease)	(3,603,876)	(4,314,611)
Beginning Balance	13,485,745	9,881,869
Ending Balance	9,881,869	5,567,258
Reserves:		
Cash	5,250	5,250
Legally Restricted	897,291	126,540
Designated Econ Uncert	1,622,358	1,685,458
Instructional Materials Adoption	2,000,000	1,889,301
Equipment (Busses, mowers)	192,045	192,045
Program Balances	681,906	10,301
Restoration of Day-PVEA	123,700	-
Budget Stabilization	4,359,319	1,658,363

**Pleasant Valley Elementary School District
2014-15 Adopted Budget
By Category**

	I Unrestricted Operations	II Unrestricted Programs	III Restricted Programs	IV Total Budget
Revenue				
8010-8099 LCFF/Revenue Limit	35,224,787	5,849,786	1,542,853	42,617,426
8100-8299 Fed Revenue	30,000	67,500	1,990,331	2,087,831
8300-8599 Othr State Rev	176,682	833,126	218,386	1,228,194
8600-8799 Local Revenue	888,164	665,335	4,380,341	5,933,840
Total Revenue	36,319,633	7,415,747	8,131,911	51,867,291
Expenditures				
1000 Certificated Salaries	14,655,917	6,890,460	4,412,242	25,958,619
2000 Classified Salaries	4,427,201	697,283	2,443,726	7,568,210
3000 Employee Benefits	7,230,728	1,249,129	1,961,521	10,441,378
4000 Books & Supplies	1,151,235	3,108,463	844,113	5,103,811
5000 Services & Contracts	2,475,000	1,212,627	1,408,145	5,095,772
6000 Capital Outlay	-	-	-	-
7000 Other Outgo	12,947	85,000	1,674,965	1,772,912
Subtotal Expenditures	29,953,028	13,242,962	12,744,712	55,940,702
Other Financing Sources/Uses				
Contributions	(8,638,812)	4,796,762	3,842,050	-
Interfund transfer out	(241,200)	-	-	(241,200)
Subtotal Other Financing	(8,880,012)	4,796,762	3,842,050	(241,200)
Total Expenditures	38,833,040	8,446,200	8,902,662	56,181,902
Net Increase/(Decrease)	(2,513,407)	(1,030,453)	(770,751)	(4,314,611)
Beginning Balance	7,943,824	1,040,754	897,291	9,881,869
Ending Balance	5,430,417	10,301	126,540	5,567,258
Reserves:				
Cash	5,250			5,250
Legally Restricted			126,540	126,540
Designated Econ Uncert	1,685,458			1,685,458
Instructional Materials Adoption	1,889,301			1,889,301
Equipment (Busses, mowers)	192,045			192,045
Program Balances		10,301		10,301
Budget Stabilization	1,658,363			1,658,363