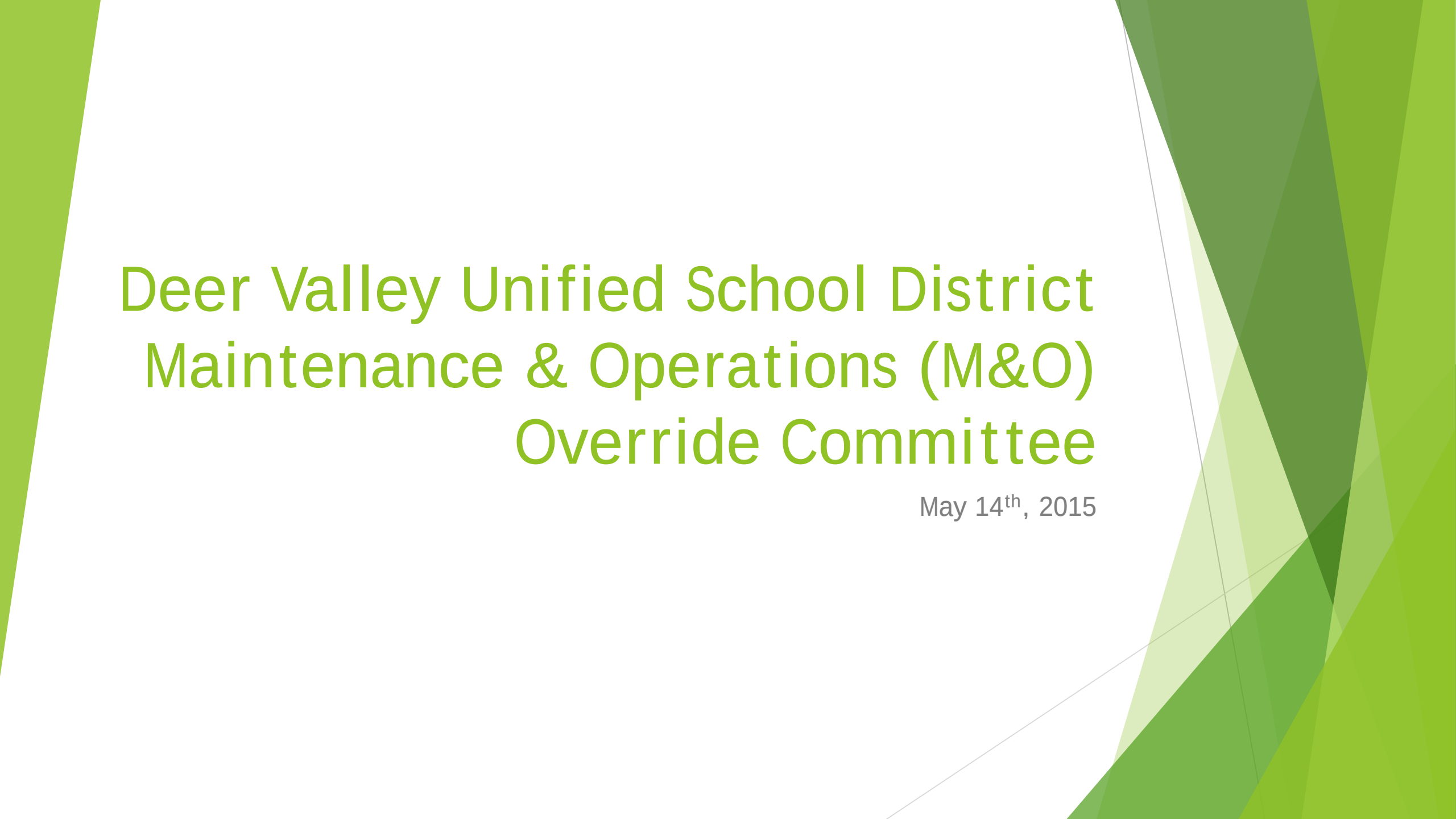


The background features abstract, overlapping green geometric shapes, primarily triangles and polygons, in various shades of green, creating a modern and dynamic visual effect.

Deer Valley Unified School District Maintenance & Operations (M&O) Override Committee

May 14th, 2015

Agenda

- ▶ Introductions
- ▶ Committee Charge
- ▶ Future School Funding Outlook
- ▶ School Funding Overview
- ▶ History of Elections
- ▶ Current M&O Override Uses
- ▶ Future Funding Options
- ▶ Next Steps

M&O Override Committee

The Deer Valley Unified School District enjoys a 10% voter approve Maintenance & Operations (M&O) override. The M&O Override was last approved in 2010 and these overrides have to be renewed every 5 years or they are phased out. The M&O Override funding provides more than \$15.6 million in funding for the District. Even with this funding, the amount of money the District receives is below the State average and below our comparable district average.

Committee Charge:

- To determine the need to continue the Maintenance & Operation (M&O) Override and consider other election-related funding options for the district.

Committee Membership

- Looking for parents, community members and staff to meet a couple of times in May of 2015 to develop a recommendation regarding the M&O Override election in November of 2015 to be presented to the Governing Board.

Future School Funding Outlook

Governor just elected and will be in office for 4 years, no real change anticipated in the State Legislature - House or Senate - and the history of funding school districts indicates that future funding increases are not expected.

School Funding Overview

- ▶ School districts operate financially within separate designated funds
 - ▶ M&O
 - ▶ Capital
 - ▶ District Additional Assistance
 - ▶ Capital Override
 - ▶ Bonds
 - ▶ School Facilities Board
 - ▶ New School Construction
 - ▶ Building Renewal

School Funding Overview

M&O (con't)

- ▶ M&O (DVUSD: FY13 = \$178.0 M, FY14 = \$177.8 M, FY15 = \$180.8 M)
 - ▶ Based on a formula, various components essentially calculated on the number of students we serve
 - ▶ Covers most of the day-to-day expenditures
 - ▶ Can be used for operational expenses or capital
 - ▶ Includes funding from State and local property taxes

School Funding Overview

Capital (con't)

- ▶ Soft Capital (DVUSD: FY13 = \$1.9 M, FY14 eliminated by State action)
 - ▶ Based on a formula, essentially calculated on the number of students we serve
 - ▶ Provides for tangible purchases such as technology, textbooks, library resources, instructional aides, furniture, equipment and pupil transportation
 - ▶ Includes funding from State and local property taxes
- ▶ Capital Outlay Revenue Limit/District Additional Assistance
(DVUSD: FY13 = \$5.5 M [\$3.6 M in M&O], FY14 = \$6.6 M [\$3.3 M in M&O], FY15 = \$6.3 M [\$6.3 M in M&O])
 - ▶ Based on a formula, essentially calculated on the number of students we serve
 - ▶ Can be used for operational expenses or capital
 - ▶ Includes funding from State and local property taxes
- ▶ Capital Override (DVUSD: FY13 = \$7.5 M, FY14 = seven year voter approved authorization expired)
 - ▶ Requires an election
 - ▶ Provides for capital expenses per voter pamphlet for a set period of time
 - ▶ Funded from local property taxes

School Funding Overview

Bonds (con't)

- ▶ Bonds
 - ▶ Requires an election
 - ▶ Restricted to a percentage of assessed property valuations
 - ▶ Further restricted to items outlined in voter pamphlet
 - ▶ Typically for capital assets with a long useful life
 - ▶ Funded from local property taxes

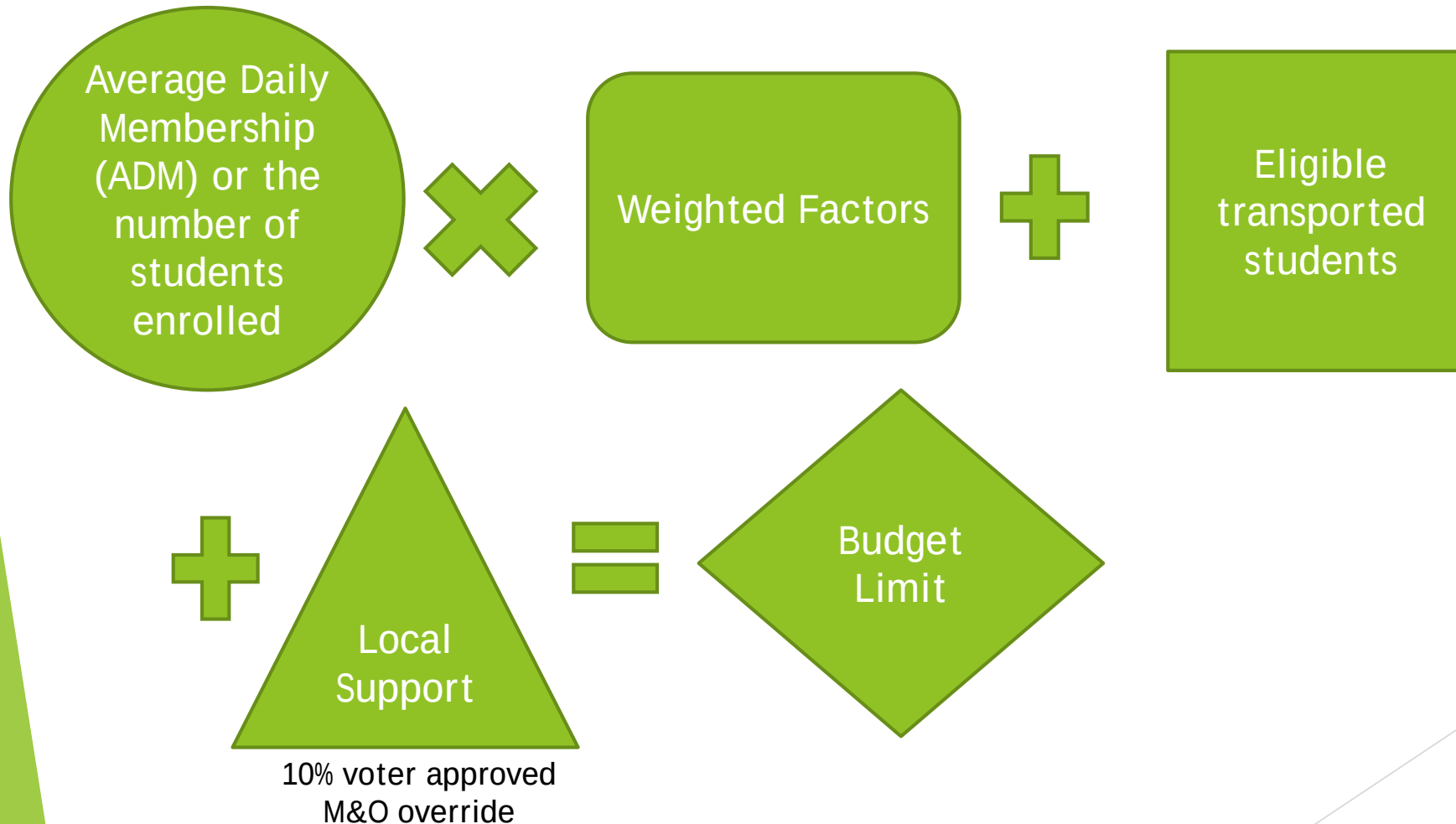
School Funding Overview

Additional Capital (con't)

- ▶ School Facilities Board
 - ▶ New School Construction - ***suspended***
 - ▶ Based on a formula tied to projected student enrollment
 - ▶ Provides for new construction based on State standards
 - ▶ Building Renewal - ***suspended/replaced w Emergency Grant***
 - ▶ Based on a formula tied to square footage
 - ▶ Intended to extend the useful life of buildings and/or maintain buildings to State standards

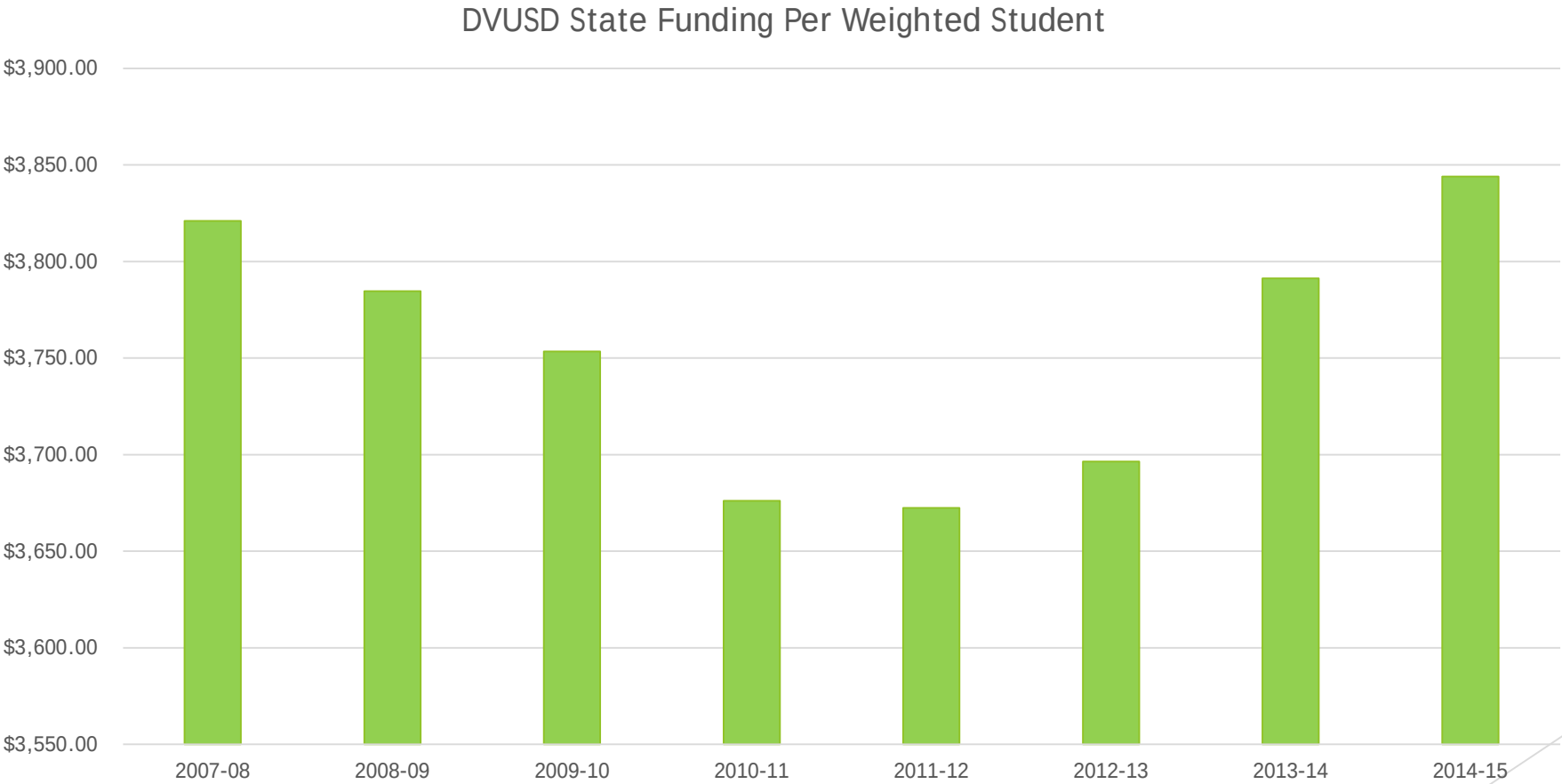
School Finance Fundamentals

- ▶ In the State of Arizona, school budgets are established by limits determined via formulas based on the number of students that are served.



School Finance Fundamentals

History of DVUSD State Formula Per Pupil Funding



History of State-Imposed Reductions

		<u>Reduction</u>	<u>% of Allocation</u>	<u>% of Budget (RCL)</u>	<u>Annual Total</u>	<u>Cumulative Total</u>
2008-09	Soft Capital Reduction	\$ 823,731	10.9%	0.5%	\$ 823,731	
2009-10	Soft Capital Reduction	\$ 5,719,561	72.8%	3.5%	\$ 5,719,561	\$ 6,543,292
2010-11	Soft Capital Reduction (HB2008)	\$ 6,585,171	84.7%	5.3%		
2010-11	Shortfall Reduction (SB1612)	\$ 1,792,789				
2010-11	Shortfall Reduction (SB1612)	\$ 2,056,430			\$ 10,434,390	\$ 16,977,682
2011-12	Soft Capital Reduction (SB1617)	\$ 7,556,354	100.0%	5.8%		
2011-12	Capital Outlay Reduction (SB1612)	\$ 1,460,115	46.2%			
2011-12	Capital Outlay Reduction (SB1617)	\$ 2,585,169			\$ 11,601,638	\$ 28,579,320
2012-13	Soft Capital Reduction (SB1529)	\$ 6,134,536	82.4%	6.1%		
2012-13	Capital Outlay Reduction (SB1529)	\$ 3,372,689	38.9%		\$ 9,507,225	\$ 38,086,545
2013-14	District Additional Assistance	\$ 9,427,496	59.3%	6.0%	\$ 9,427,496	\$ 47,514,041
2014-15	District Additional Assistance	\$ 9,643,864	61.7%	6.2%	\$ 9,643,864	\$ 57,157,905

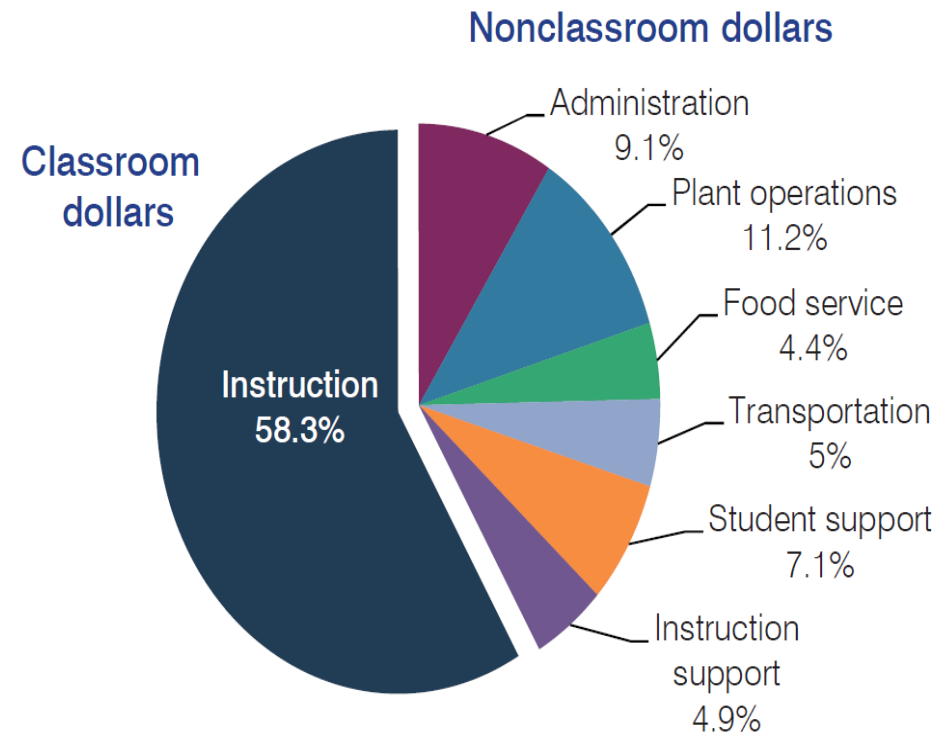
Does not include unrealized inflationary increases nor Building Renewal reductions

School Finance Fundamentals

FY14 Auditor General *Spending* Report for Deer Valley Unified School District

Statewide %	53.8%
<i>Peer Group %</i>	56.6%
Gilbert USD	61.2%
Chandler USD	61.1%
Deer Valley USD	58.3%
Peoria USD	57.9%
Paradise Valley USD	57.7%
Mesa USD	57.1%
Dysart USD	55.2%
Phoenix UHSD	54.7%
Scottsdale USD	54.5%
Tucson USD	48.7%

Deer Valley USD FY14
Spending by operational area



School Finance Fundamentals

FY14 Auditor General *Spending* Report for Deer Valley Unified School District - \$/Student

		Deer Valley			Comp AVG		
		2012	2013	2014	2012	2013	2014
Per Student		\$ 6,511	\$ 6,597	\$ 6,718	6,859	7,016	7,045
Classroom Dollars		\$ 3,838	\$ 3,868	\$ 3,919	4,017	4,099	4,114
Non-Classroom Dollars							
	Administration	\$ 571	\$ 593	\$ 609	587	617	593
	Plant Operations	\$ 796	\$ 763	\$ 751	812	833	812
	Food Service	\$ 297	\$ 299	\$ 299	290	293	293
	Transportation	\$ 318	\$ 322	\$ 335	285	294	294
	Student Support	\$ 439	\$ 463	\$ 479	538	546	604
	Instructional Support	\$ 252	\$ 289	\$ 326	331	334	336
	Other						
Non-Classroom Subtotal		\$ 2,673	\$ 2,729	\$ 2,799	2,842	2,917	2,931

State Average
2014 = \$7,578

National Average
2012 = \$10,667

How does DVUSD Spending Compare to Comparable Districts?

Deer Valley Unified School District receives less funding per pupil than comparable peer districts due to peer districts receiving additional funding beyond what the State formula provides, such as overrides greater than 10% and/or Desegregation funds.

FY13

	<u>Expense per Student</u>
Chandler ¹	\$ 5,419.90
Gilbert ³	\$ 5,544.17
PV ^{2,3}	\$ 5,845.42
Peoria ¹	\$ 5,349.21
Scottsdale ^{1,2,3,4}	\$ 6,338.70
DV ³	\$ 5,445.85
5 Comparable District Average	\$ 5,699.48

FY14

	<u>Expense per Student</u>
Chandler ¹	\$ 5,349.89
Gilbert ³ - phasing down	\$ 5,372.43
PV ^{2,3}	\$ 6,066.37
Peoria ¹	\$ 5,308.97
Scottsdale ^{1,2,3,4}	\$ 6,112.62
DV	\$ 5,521.33
5 Comparable District Average	\$ 5,642.06

Additional Funding Legend

1 - Career Ladder 2 - K-3 Override/Special Purpose Override 3 - Capital Override 4 - Desegregation

What is a M&O Override?

An override is authorization from the voters to exceed the State funding formula for education. Overrides fund Maintenance and Operations (M&O) expenses, which mostly fund salary and benefit costs (87.3% for DVUSD in FY14) plus supplies, materials and services.

An override can be for up to seven years but it phases out after the fifth year if not renewed by the voters (1/3 in Year 6, 2/3 in Year 7, and then 100% thereafter).

What is the History of DVUSD Elections?

1990 Elections - 10% M&O Override - *passed*

1992 Elections - \$60,400,000 bond - *passed*

1995 Elections - 10% M&O Override - *failed*

1996 Elections - 10% M&O Override - *passed*

\$129,000,000 bond - *passed*

2001 Elections - 10% M&O Override - *passed*

\$77,500,000 Bond - *passed*

\$6,242,250/Year Capital Override - *did not pass*

2004 Elections - \$90,000,000 Bond - *passed*

\$7,500,000/Year Capital Override - *did not pass*

2005 Elections - 10% M&O Override - *passed*

\$7,500,000/Year Capital Override - *passed*

2008 Elections - \$148,000,000 Bond - *passed*

2010 Elections - 15% M&O Override - *did not pass (March)*

10% M&O Override - *passed (November)*

2012 Elections - \$7,500,000/Year Capital Override - *did not pass*

2013 Elections - \$158,315,000 bond - *passed*

What does the Current M&O Override Fund?

<u>M&O Override Category</u>	<u>FY14 Amount</u>	<u>Planned in FY15</u>
6% of All M&O Salaries	\$ 7,980,082	\$ 7,898,185
Class Size at Grades K-6 (-3 FTE/Class Load)	\$ 2,793,000	\$ 2,783,000
Class Size at Grades 7-12 (-3 FTE/Class Load)	\$ 3,087,000	\$ 3,150,000
Extracurricular Activities	\$ 500,000	\$ 500,000
Support Services Staff	\$ 490,000	\$ 490,000
District Budgets (10%)	\$ 520,000	\$ 538,000
School Budgets (10%)	\$ 210,000	\$ 235,000
Kindergarten Routing at 1/2 Mile	\$ 80,000	\$ 80,000
	\$ 15,660,082	\$ 15,674,185

What Happens if the Override is Not Renewed?

A reduction of \$5.2 million for FY17 (2016-17 school year)

► Options that may be considered to be reduced:

- All M&O Salaries
- Class Size at Grades K-6
- Class Size at Grades 7-12
- Extracurricular Activities
- Support Services Staff
- District Budgets
- School Budgets
- Kindergarten Bus Routing

A reduction of \$10.4 million for FY18 (2017-18 school year)

A reduction of \$15.6 million for FY19 (2018-19 school year)

DVUSD Financial Priorities

- ▶ Salary Increase for All Employees
 - ▶ Real Earnings for all employees has not kept up with inflation – a 1% salary increase costs \$1,342,000
- ▶ Restore Capital Funding
 - ▶ With 100% of the limited capital allocation now moved in to M&O the District has no capital funds to meet essential District needs after FY16 - \$3 million/year
- ▶ Address the Structural Deficit
 - ▶ We need a plan to reduce the dependency on one-time budget options that cannot be sustained over time - \$5.3 million included in FY16 budget

DVUSD Financial Priorities To Be Considered

FY16 Projected Costs

Full-Day Kindergarten	\$ 2,400,000	46 FTE
1% Salary Increase	\$ 1,342,000	Salary increase for all employees
Renaissance	\$ 892,500	11 FTE at Highland Lakes and 6 FTE at Canyon Springs over their normal staffing
Youth Transition Program	\$ 649,000	another \$949,000 is paid by a grant
International Baccalaureate	\$ 397,500	7 FTE, additional \$30,000 in non-staffing \$\$
eSchools	\$ 370,000	online course offerings
Mandarin	\$ 367,500	7 FTE over their normal staffing
International Baccalaureate-MYP	\$ 161,120	2 FTE, librarian vs library clerk, additional \$31,120 in non-staffing \$
ROTC	\$ 105,000	2 FTE, an ongoing grant pays for 2 more FTE

Comparable Districts Override Amounts

- ▶ Chandler = 15%
- ▶ Gilbert = 6.6% (on phase down) plus a \$8.2 M Capital Override
- ▶ Paradise Valley = 13.3% plus a \$5.8 M Capital Override
- ▶ Peoria = 10% (seeking an increase for FY16)
- ▶ Scottsdale = 15% plus a \$9.9 M Capital Override
- ▶ Deer Valley = 10%

Cost of M&O Override

<u>FY 15 @ 10%</u>	<u>Amount</u>
Override Amount	\$ 15,674,185
Total Secondary AV	\$ 2,202,994,012
Tax Rate	\$ 0.7096
Average Home AV	\$ 173,239
Average Home Annual Override Tax	\$ 122.93

<u>FY 16 w 10% override renewal</u>	<u>Amount</u>	<u>Difference</u>	<u>% Change</u>
Override Amount	\$ 16,211,495	\$ 537,310	3.4%
Total Secondary AV	\$ 2,206,516,556	\$ 3,522,544	0.2%
Tax Rate	\$ 0.7324	\$ 0	3.2%
Average Home AV	\$ 174,277	\$ 1,038	0.6%
Average Home Annual Override Tax	\$ 127.64	\$ 4.71	3.8%

<u>FY 16 w 15% override renewal</u>	<u>Amount</u>	<u>Difference</u>	<u>% Change</u>
Override Amount	\$ 24,317,243	\$ 8,643,058	55.1%
Total Secondary AV	\$ 2,206,516,556	\$ 3,522,544	0.2%
Tax Rate	\$ 1.1021	\$ 0	55.3%
Average Home AV	\$ 174,277	\$ 1,038	0.6%
Average Home Annual Override Tax	\$ 192.07	\$ 69.14	56.2%

Amounts are shown for illustrative purposes as the existing M&O Override continues at 10% for FY16.

2014-15 Tax Rate Comparison

	<i>Deer Valley USD</i>		<i>Chandler USD</i>		<i>Gilbert USD</i>		<i>Paradise Valley USD</i>		<i>Peoria USD</i>		<i>Scottsdale USD</i>	
	<u>Levy</u>	<u>Tax Rate</u>	<u>Levy</u>	<u>Tax Rate</u>	<u>Levy</u>	<u>Tax Rate</u>	<u>Levy</u>	<u>Tax Rate</u>	<u>Levy</u>	<u>Tax Rate</u>	<u>Levy</u>	<u>Tax Rate</u>
Primary Assessed Valuation	\$ 2,113,443,430		\$ 2,138,924,286		\$ 1,521,168,351		\$ 2,893,516,815		\$ 1,416,779,356		\$ 4,357,888,646	
M&O	\$ 88,157,996	\$ 4.1713	\$ 96,815,323	\$ 4.5264	\$ 79,237,837	\$ 5.2090	\$ 118,788,032	\$ 4.1053	\$ 56,867,984	\$ 4.0139	\$ 134,533,405	\$ 3.0871
Capital Outlay	\$ 4,305,376	\$ 0.2037	\$ 1,869,696	\$ 0.0874	\$ -	\$ -	\$ -	\$ -	\$ 5,881,767	\$ 0.4152	\$ -	\$ -
Soft Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Projects	\$ 747,955	\$ 0.0354	\$ 6,001,699	\$ 0.2806	\$ -	\$ -	\$ 217,815	\$ 0.0075	\$ -	\$ -	\$ 960,730	\$ 0.0220
Total Primary	\$ 93,211,327	\$ 4.4104	\$ 104,686,718	\$ 4.8944	\$ 79,237,837	\$ 5.2090	\$ 119,005,847	\$ 4.1128	\$ 62,749,751	\$ 4.4290	\$ 135,494,135	\$ 3.1092
Secondary Assessed Valuation	\$ 2,202,994,012		\$ 2,238,429,059		\$ 1,596,222,809		\$ 2,970,807,651		\$ 1,471,213,352		\$ 4,556,319,442	
Capital Override	\$ -	\$ -	\$ -	\$ -	\$ 7,667,303	\$ 0.4803	\$ 5,869,151	\$ 0.1976	\$ -	\$ -	\$ 9,850,086	\$ 0.2162
M&O Override	\$ 15,633,172	\$ 0.7096	\$ 28,452,496	\$ 1.2711	\$ 5,615,698	\$ 0.3518	\$ 21,036,545	\$ 0.7081	\$ 16,770,624	\$ 1.1399	\$ 7,286,527	\$ 0.1599
Class A Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,637,639	\$ 0.6274	\$ 17,630,507	\$ 1.1984	\$ 10,188,711	\$ 0.2236
Class B Bonds	\$ 29,937,271	\$ 1.3589	\$ 25,087,682	\$ 1.1208	\$ 18,951,844	\$ 1.1873	\$ 33,650,069	\$ 1.1327	\$ 7,406,496	\$ 0.5034	\$ 18,442,104	\$ 0.4048
Total Secondary	\$ 45,570,443	\$ 2.0686	\$ 53,540,178	\$ 2.3919	\$ 32,234,845	\$ 2.0194	\$ 79,193,404	\$ 2.6657	\$ 41,807,627	\$ 2.8417	\$ 45,767,428	\$ 1.0045
Total Tax Rate		\$6.4790		\$7.2862		\$7.2285		\$6.7786		\$7.2708		\$4.1137

Five-District Average = \$6.5355

Average without SUSD = \$7.1410 due to their high AV

Options for Funding Future Needs

in no particular order

- ▶ Request an election to renew the M&O Override at 10%
- ▶ Request an election to increase the M&O Override to up to 15%
- ▶ Request an election for a Capital Override
- ▶ Other Suggestions – ?

Next Steps/Next Meeting

Next Steps

- ▶ Electronically Solicit Input on Options to Consider
 - ▶ Email jim.migliorino@dvusd.org
- ▶ Poll Voters for Feedback on Proposed Options
- ▶ Develop Recommendation(s) for Election Options for our Governing Board to Consider

Next Meeting

- ▶ Wednesday, May 20th @ 6:30 PM