

**PORTOLA VALLEY SCHOOL DISTRICT**  
**Budget Executive Summary**

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

**I. General Fund Budget**

This section outlines all the changes since the 1<sup>st</sup> Interim budget update on December 5, 2018.

**II. 2019-20 Governor's Proposals**

The proposals affecting K-12 education are summarized in this section.

**III. 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.

**IV. 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 the 2nd Interim (column a) and at the 1<sup>st</sup> Interim (column b). Column c shows the changes between the two. The changes are explained below:**

### **Revenues:**

- Property tax decrease of \$1,670: This is due to prior year tax adjustments.
- State revenue increase of \$25,004  
Increases are from:
  - One-time discretionary funds of \$4,221
  - Classified employee professional development grant of \$4,975
  - Low Performing Students Block Grant of \$15,808
- Other Local increase of \$396,671: Increases are from
  - Solar VCAP Interest Rebates of \$307,808 for the prior years (note: current year rebates of \$86,313 is recorded as an abatement to current year interest expense). Total rebate is \$494,121
  - Refund of the bond admin fees for the prior years of \$9,100
  - Gold Rush Field Trip donations of \$18,635
  - Endowment (Cycle 2) grants of \$48,674 from the PVSF
  - Yosemite Field Trip donations of \$10,916
  - Other miscellaneous \$1,538

**Increase of Revenues: \$420,005**

### **Expenditures:**

- Personnel Costs (Decrease of \$110,333): Personnel costs have been reconciled to reflect actual staffing through the first seven months of the year, and savings have been realized from the projected costs to reflect estimated actuals. The majority of this amount is for timesheet payments (e.g., hourly and substitute payments and health benefits costs).
- Materials and Supplies (Decrease of \$38,270): Mainly due to software licensing and supplies.
- Services and Other Operating Expenses (Increase of \$27,571): Increase is mainly the PVSF Endowment grants

- Capital Outlay (Increase of \$57,698): Increase is from the PVSF Endowment grants for Promethean smart boards (\$22,698). In addition, increase budget for the replacement of an HVAC unit (approx. \$35,000).
- Other Outgo (Decrease of \$86,313): Solar interest rebates for the current fiscal year.

**Decrease of Expenditures: \$149,647**

**Net increase of Revenues over Expenditures: \$569,652**

### Fund Balance

The projected General Fund ending balance at June 30, 2019: \$2,093,889.

The total available reserve is \$2,426,131 or 15.62% of the total General Fund Expenditures and Transfers Out.

The first interim budget included setting aside \$300,000 for unexpected facilities repairs for water intrusion which happened in December, 2018 at the Corte Madera Campus, 400 Wing and administration building. This reserve is removed as insurance will cover the cost of the damages.

The Fund balance includes setting aside \$100,000 for a future classroom furniture refresh. The components of the fund balance are as follows:

Restricted Programs	479,126	
Reserve for Classroom Furniture Refresh	100,000	
Reserve for Economic Uncertainty (A)	621,117	4.00%
Unassigned/Unappropriated (B)	893,646	5.76%
<b>Total General Fund Balance</b>	<b>2,093,889</b>	
Basic Aid Reserve Policy in Fund 17 (C)	911,368	5.87%
<b>Total Available Reserves (A)+(B)+(C)</b>	<b>2,426,131</b>	<b>15.62%</b>

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

## **II. 2019-20 GOVERNOR'S PROPOSALS**

Governor Newsom's first State Budget proposals indicated a continued commitment to the Local Control Funding Formula (LCFF) by providing the statutory cost of living adjustment (COLA) of 3.46%. Additional ongoing Proposition 98 dollars above the required amount are proposed to address specified purposes, and are not at the complete discretion of the school districts as it has been from the prior administration.

K-12 proposals include the following:

1. Applied statutory COLA of 3.46% to the LCFF base grant - \$2 billion.
2. Special Education services to support expanded special education services and school readiness supports at districts with high percentages of both students with disabilities and unduplicated students - \$576 million.
3. CalSTRS payments – \$3 billion. \$700 million used to mitigate the growing burden of pension rate increases to employers by decreasing the statutory CalSTRS employer contribution in 2019-20 from 18.13% to 17.1%, and in 2020-21 from 19.1% to 18.1%. The remaining \$2.3 billion would be applied toward employers' long-term unfunded liability which is expected to translate to an estimated reduction in the employer contribution rate beyond 2020-21 of approximately half a percentage point.
4. Early Childhood Education: a) Universal Preschool \$124.9 million; b) full day kindergarten \$750 million to build new kindergarten facilities; c) Birth to Three \$200 million on home visiting programs; d) Child Care \$490 million for child care facilities and professional development of child care workers; e) Child care and universal preschool roadmap - \$10 million.
5. School Facilities – Sale of an additional \$1.5 billion in Proposition 51 bonds in 2019-20.
6. Discretionary Funds – Does not propose any one-time funding for school districts (i.e., he will not continue Mr. Brown's practice.)
7. Longitudinal Data System - \$10 million to develop a longitudinal data system that would connect student data from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies

The impact to the Portola Valley School District are the following proposals:

1. LCFF COLA for the Tinsley Program of approximately: \$9,600
2. CalSTRS obligations will be reduced about \$70,000 each year for 2019-20 and 2020-21

These proposals do not include one-time Discretionary Funds (see #6 above). In 2018-19, PVSD received \$107,000 in one-time discretionary funds.

**Note that these proposals are not included in the current PVSD's multi-year assumptions.**

### **III. 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 (PVSF) 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).

**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 classroom teachers and restoring of 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

Contributions to the Routine Maintenance Fund will be: \$651,756 for 2019-20, \$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. PVSD’s contributions are more than the required amounts.

Contracted Services

The budget includes \$145,000 for Accesspoint wifi upgrades and Erate rebates of \$38,000. The net cost to the district is estimated to be \$107,000 in 2019-20.

The budget also includes \$35,000 for Board Trustee election in 2019-20, and another \$35,000 for parcel tax renewal election costs in 2020-21.

Increase in Utilities Expense

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

Solar Rebates

Solar interest refunds are included in the out-years. The amounts budgeted are \$82,760 for 2019-20, \$75,000 for 2020-21, and \$66,800 for 2021-22.

Fund Balance Reserves

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

**NEXT STEPS**

The Board will be provided with an update of the 2018-19 budget in May or June along with the 2019-20 preliminary budget.