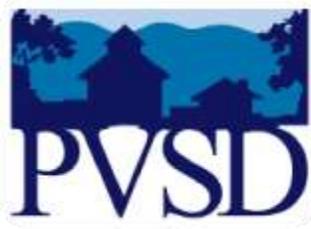


Portola Valley School District
First Interim 2017-18
Executive Summary



Board of Trustees

Karyn Bechtel

Brooke Day

Jeff Klugman

Gulliver La Valle

Michael Maffia

Administration

Eric Hartwig, Superintendent

Cynthia Shieh, Interim CBO

Elizabeth Ozden, Fiscal Services Manager

December 6, 2017

BUDGET CALENDAR

FY 2017-18

June	Board adopts FY 2017-18 Budget.
July/August	Business Office Staff works on Year-end Closing (FY 2016-17)
August	Within 45 days, the District revises its budget to reflect significant changes in the State's approved budget (Optional).
September	Unaudited Actuals (FY 2016-17) submitted for approval.
October/November	Preparation of First Interim.
December	Submission of First Interim on or before December 15, 2017.
January/February	Release of Auditor's Report for prior fiscal year. Governor releases State budget proposal for the next fiscal year (2018-19); Second Interim ends January 31, 2018; Budget development for 2018-19 starts.
March	District submits the Second Interim on or before March 15, 2018.
April	P-2 ADA cut-off; Budget development for FY 2018-19.
May	Release of Governor's May Revise (FY 2018-19).
June	Board conducts the LCAP and budget public hearing and adoption for the 2018-19 school year.

About the District

Nestled in the foothills behind Stanford University, the Portola Valley School District is home to just under 610 TK - 8th grade students. We are proud of our two award-winning schools: Ormondale (TK - 3rd) and Corte Madera (4th - 8th). Our website pages are a vital communications link designed to help you learn about our schools and educational services. Be sure to let us know if we can include additional information of interest or if we can make the site easier to navigate.

Mission Statement

The Portola Valley School District provides an excellent education for all students. Capitalizing upon our unique partnership among teachers, support staff, parents, and community, we create powerful learning opportunities that challenge all students to: meet the District's standards of excellence, become ethical leaders in school and community, and make positive contributions to a diverse and changing world.

The Portola Valley Way: Collaboration, Integrity and Respect

COLLABORATION: Working together to achieve common goals.

INTEGRITY: Being consistently honest and trustworthy.

RESPECT: Having regard and concern for yourself and others while accepting individual differences and the right of others to hold divergent views.

Portola Valley School District FY 2017-18 First Interim

Accounting is the fiscal information system for business. The District's accounting, referred to as Governmental Accounting, is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

At first interim, there are seven funds in the District accounting system. The District's funds include:

General Fund (Fund 01)

Cafeteria Special Revenue (Fund 13)

Deferred Maintenance (Fund 14)

Special Reserve Other Than Capital Outlay Projects (Fund 17)

Capital Facilities (Fund 25)

Tax Override Fund (Fund 53)

The first interim is developed based on the Common Message from the San Mateo County Office of Education in terms of information and guidance. The First Interim reporting period provides an opportunity for LEA leaders to review planned LCAP expenditures and progress toward implementation of LCAP actions and services. This collaborative assessment, performed by business and instructional teams, is essential to determine the timing of implementation and expenditures related to programs and services the district has committed itself to for 2017-18.

Identifying potential differences between actual expenditures and what was planned in the LCAP will help facilitate discussions, both internally and with stakeholders, on why these differences exist. This will help to prepare the LCAP Annual Update and provide for meaningful engagement with stakeholders.

General Fund Overview – Fund 01

GENERAL FUND (Fund 01): This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions, except those required or permitted by law to be in another fund, are accounted for in this fund. In the General Fund, there are General Fund Unrestricted and General Fund Restricted.

General Fund Unrestricted: Unrestricted funds are monies received that are not restricted in their use. With the implementation of the Local Control Funding Formula (LCFF) and the Local Control Accountability Plan (LCAP) the State goal is to allow for a greater emphasis on local control.

General Fund Restricted: This is to account for those projects and activities that are funded by external revenue sources that are legally restricted or restricted by the donor to specific purposes. An example would be special education funds. The funds can only be spent on students with identified special needs, and in the manner outlined in both state and federal law.

General Fund Summary

The following table summarizes the revenues and expenditures of the General Fund.

Description	Object Code	2017-18 First Interim			%
		Unrestricted	Restricted	Total	
LCFF	8010-8099	11,467,973	289,439	11,757,412	76.5%
Federal Revenues	8100-8299	-	106,866	106,866	0.7%
Other State Revenues	8300-8599	193,890	606,256	800,146	5.2%
Other Local Revenues	8600-8799	2,502,257	196,099	2,698,356	17.6%
Total Revenues		14,164,120	1,198,660	15,362,780	100%
Certificated Salaries	1000-1999	6,181,949	741,807	6,923,756	43.9%
Classified Salaries	2000-2999	1,454,627	425,372	1,879,999	11.9%
Employee Benefits	3000-3999	2,457,595	932,747	3,390,342	21.5%
Books and Supplies	4000-4999	728,371	114,974	843,345	5.4%
Services, Other Operating Expenses	5000-5999	1,491,210	490,381	1,981,591	12.6%
Capital Outlay	6000-6999	270,000	-	270,000	1.7%
Other Outgo (excluding IC)	7000-7299	290,241	181,180	471,421	3.0%
Other Outgo	7300-7399	-	-	-	
Total Expenditures		12,873,993	2,886,461	15,760,454	100%
Excess (Deficiency)		1,290,127	(1,687,801)	(397,674)	
Transfers In	8900-8929	300,000		300,000	
Transfer Out	7600-7629	599,526	-	599,526	
Contribution	8930-8999	(1,686,948)	1,686,948	-	
Total, Other		(1,986,474)	1,686,948	(299,526)	
Revenue Over (Under) Expenditures		(696,347)	(853)	(697,200)	
Beginning Fund Balance		1,052,078	416,639	1,468,717	
Ending Balance, June 30		355,731	415,787	771,517	

General Fund Revenues: \$15,362,780 (Excluding Transfer In)

LCFF Sources (Object 8010-8099): \$11,757,412

LCFF revenue constitutes 76.5% of the District revenues. Being a Basic Aid school district, it mainly represents tax sources (Secured, Unsecured, and Supplemental). The restricted amount of \$289,439 represents the Special Ed portion of the property taxes. It is about 5.5% growth from last year.

Federal Revenue (Object 8100-8299): \$106,866

This represents 0.7% of the total general fund revenues. It represents Special Education Entitlement and Special Education discretionary Grants.

Other State Revenue (Object 8300-8599): \$800,146

Other State Revenue is about 5.2% of the total general fund revenues. The unrestricted funds include the mandated block grant, one-time money, and unrestricted lottery. The restricted state revenues include restricted lottery, TUPE, Other State Mental Health, and STRS on behalf.

Other Local Revenue (Object 8600-8799): \$2,698,356

This represents 17.6% of the total general fund revenues. It is the second largest part of the revenue sources. It includes Parcel Tax, donations from Education Foundation, PTO, and individuals, lease and rental income, and interest income. The District is grateful for the strong support from our community.

General Fund Expenditures: \$15,760,454 (Excluding Transfer Out)

Certificated Salaries (Object 1000-1999): \$6,923,756

Certificated salaries are salaries for positions that require a credential or permit issued by the Commission on Teacher Credentialing. District staffing is determined annually according to the needs of the District. Certificated salaries include; teachers, counselors, psychologists, and certificated management which includes superintendent, directors, principals, and assistant principal. For the 2017-18 fiscal year, total certificated salaries represent about 43.9% of the total budget.

Classified Salaries (Object 2000-2999): \$1,879,999

This classification represents the salaries paid for the positions that do not require a credential or permit issued by the Commission on Teacher Credentialing. The positions in this classification are office manager, secretary, instructional related positions, support positions, clerical, technical and district office staff. It is about 11.9% of the total budget.

Employee Benefits (Object 3000-3999): \$3,390,342

Employee benefits are contributions made, on behalf of employees, to; pension plans (State Teachers' Retirement System-STRS, and Public Employees' Retirement System-PERS), STRS on behalf, health and welfare benefits, and payroll related statutory costs such as Workers' Compensation, State Unemployment Insurance, FICA, and Medicare. The total statutory rate for certificated staff is 17.01%, the rate for classified staff is 24.31%.

Books and Supplies (Object 4000-4999): \$843,345

These accounts are for expenditures related to curriculum books and supplies, other reference materials, and non-capitalized classroom equipment. District is using this classification as a placeholder for those unallocated budget amount. Once we know how we will better spend/allocate the funds, we will do Budget Transfers to reduce budget amount in this classification to appropriate classification. It is about 5.4% of the total budget.

Services and Other Operation Expenditures (Object 5000-5999): \$1,981,591

These accounts are for expenditures for services, rentals, leases, maintenance contracts, dues, travel, insurance, utilities, legal, and other basic operating expenditures. It represents about 12.6% of the total budget.

Capital Outlay (Object 6000-6999): \$270,000

Capital Outlay is for expenditure that exceeds \$5,000 as value and is subject to depreciation. The budget represents the equipment and equipment replacement for the play area and play structural. It is about 1.7% of the total budget.

Total Other Outgo (Object 7100-7699): \$471,421

These expenditures include solar debt service payments, and excess costs for special education regionalized programs. It represents 3% of the total budget.

Interfund Transfers In (Objects 8900-8929): \$300,000

This comes from Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects. It represents the set aside reserves for Technology and Pension expense.

Interfund Transfers Out (Objects 7600-7629): \$599,526

It includes money is transferred out to Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects in the amount of \$564,116 and \$35,410 to Fund 14, Deferred Maintenance Fund. The money in Fund 17 will be used for Economic Uncertainty at 4% and reserves for Technology and Pension expenses.

Contributions: Contributions from Unrestricted Revenues record the amount of money that must be contributed from unrestricted resources in the general fund when the expenditures incurred for a given restricted resource exceed the amount available for expenditure. This account may also apply to contributions of unrestricted resources to other unrestricted resources. This account must net to zero at the fund level. The programs subject to contribution are: Special Ed, IDEA. Starting the 2nd interim, Routine Restricted Maintenance (RRM) will be subject to contribution as well. See Multi-Year Projection (MYP) assumptions Note 1 for further explanation.

The Multi-year Assumptions and Projections:

The multi-year budget assumptions and projections illustrate the characteristics of the District’s fiscal structure. The following tables represent the assumptions of multi-year projections and the result of the assumptions:

Multi-year Assumptions:

MYP Assumptions	2017-18	2018-19	2019-20
Enrollment	608	608	608
ADA	589.8	589.8	589.8
Certificated Staffing Reduction		-1 FTE	
Property Tax Growth (%)	5.5%	3.0%	4.0%
One-time \$	\$147/ADA	0	0
Lottery (Unrestricted) per Annual ADA	\$146	\$146	\$146
Lottery (Restricted) per Annual ADA	\$48	\$48	\$48
TextBooks Adoptions & Laptop, Ipad Refresh		\$215,000	\$180,000
STRS Employer Rate %	14.43%	16.28%	18.13%
PERS Employer Rate %	15.53%	18.10%	20.80%
Capital Projects	GF	GO Bond	GO Bond
<i>Note 1:</i> Routine Restricted Maintenance (RRM, Resource 8150) will be created and reflected in the 2nd Interim.			
<i>Note 2:</i> Salaries projection includes Step & Column, does not include raises in subsequent years.			
<i>Note 3:</i> Fund 17 will be exhausted in 2018-19 to balance the budget.			
<i>Note 4:</i> Due to Budget constrains, there is no GF dollar to fund any capital related project. It is imparative to have a local G.O. Bond to support our facility needs.			

Note 1: Beginning with fiscal year 2015/16, school districts that participated in the school facilities program are required to deposit 3% of the total general fund expenditures to the Routine Restricted Maintenance Account (RRMA).

For 2016-17 Lesser of:

- 3% of 16/17 total general fund expenditures (GFE) (E.C.17070.75)
- FY 14/15 contribution to resource 8150

For 2017-18 through 2019-20 Greater of:

- Lesser of 14/15 amount or 3% of total GFE
- 2% of total GFE

Total General Fund Multi-year Projections:

Multi-year projections										
Description	Object Code	2017-18 Budget			2018-19 Projection			2019-20 Projection		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
LCCF	8010-8099	11,467,973	289,439	11,757,412	11,709,477	289,439	11,998,916	12,132,345	289,439	12,421,784
Federal Revenues	8100-8299	-	106,866	106,866	-	106,866	106,866	-	106,866	106,866
Other State Revenues	8300-8599	193,890	606,256	800,146	106,384	605,691	712,075	106,384	605,691	712,075
Other Local Revenues	8600-8799	2,502,257	196,099	2,698,356	2,229,878	195,579	2,425,457	2,227,878	177,333	2,405,211
Total Revenues		14,164,120	1,198,660	15,362,780	14,045,739	1,197,575	15,243,314	14,466,607	1,179,329	15,645,936
Certificated Salaries	1000-1999	6,181,949	741,807	6,923,756	6,241,861	750,294	6,992,155	6,362,357	765,274	7,127,631
Classified Salaries	2000-2999	1,454,627	425,372	1,879,999	1,364,717	561,508	1,926,225	1,391,980	578,298	1,970,278
Employee Benefits	3000-3999	2,457,595	932,747	3,390,342	2,721,085	997,846	3,718,931	2,946,387	1,025,065	3,971,452
Books and Supplies	4000-4999	728,371	114,974	843,345	543,350	174,548	717,898	573,350	174,048	747,398
Services, Other Operating Expenses	5000-5999	1,491,210	490,381	1,981,591	1,041,860	620,370	1,662,230	1,039,000	602,123	1,641,123
Capital Outlay	6000-6999	270,000	-	270,000	-	-	-	-	-	-
Other Outgo (excluding IC)	7000-7299	290,241	181,180	471,421	291,741	181,196	472,937	293,316	181,196	474,512
Other Outgo	7300-7399	-	-	-	-	-	-	-	-	-
Total Expenditures		12,873,993	2,886,461	15,760,454	12,204,614	3,285,762	15,490,376	12,606,390	3,326,004	15,932,394
Excess (Deficiency)		1,290,127	(1,687,801)	(397,674)	1,841,125	(2,088,187)	(247,062)	1,860,217	(2,146,675)	(286,458)
Transfers In	8900-8929	300,000	-	300,000	695,338	-	695,338	-	-	-
Transfer Out	7600-7629	599,526	-	599,526	-	-	-	-	-	-
Contribution	8930-8999	(1,686,948)	1,686,948	-	(2,088,187)	2,088,187	-	(2,146,675)	2,146,675	-
Total, Other		(1,986,474)	1,686,948	(299,526)	(1,392,849)	2,088,187	695,338	(2,146,675)	2,146,675	-
Revenue Over (Under) Expenditures		(696,347)	(853)	(697,200)	448,276	-	448,276	(286,458)	-	(286,458)
Beginning Fund Balance		1,052,078	416,639	1,468,717	355,731	415,787	771,517	804,007	415,787	1,219,793
Ending Balance, June 30		355,731	415,787	771,517	804,007	415,787	1,219,793	517,549	415,787	933,335
Available for Reserve (including Fund 17 in 2017/18)		1,051,068	-	1,051,068	804,007	-	804,007	517,549	-	517,549
% (min 4%)		6.42%	Meet the Requirement		5.19%	Meet the Requirement		3.25%	Requirement not Met	

Other Funds

CAFETERIA SPECIAL REVENUE (FUND 13): This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code sections 38090 and 38093). The principal revenues in this fund are: Child Nutrition Programs (Federal) Child Nutrition Programs (State) Food Service Sales Interest All Other Local Revenue. The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code sections 38091 and 38100). The projected ending balance is \$41,287

DEFERRED MAINTENANCE (Fund 14): This fund historically has been used to account for state apportionments and the District's contribution for deferred maintenance purposes. With the implementation of the Local Control Funding Formula, LEAs are no longer required to keep a separate fund. However, the District continue the old model to keep a separate fund. Revenue comes from interest income and expenditures include repairs and maintenance for all District sites. The projected ending balance is \$150,100.

SPECIAL RESERVE FOR OTHER THAN CAPITAL OUTLAY PROJECTS (Fund 17): This fund is used for the accumulation of general fund monies for general operating purposes to

be used in future. Fund 17 is not for capital outlay. The projected ending balance is \$695,338. Since Fund 1, General Fund does not meet the legally required reserve for Economic Uncertainties, it is imperative that this fund is used to account for legally required reserve.

CAPITAL FACILITIES (Fund 25): The purpose of this fund is to account for monies received from fees levied on developers (aka Developer Fees), or other agencies as a condition of approving a development. The interest earned in this fund is restricted to this fund. The expenditures in this fund are restricted to the purposes specified in agreements with the developer or specified in Government Code. The play structure and area improvement is partially funded by this fund. The projected ending balance is \$155,004.

TAX OVERRIDE FUND (Fund 53): The District established the fund around 2005 to keep track of facility related loan. There have been no activities in recent years. Staff is proposing to close the fund in FY 2017-18.

The following chart lists the First Interim Summary for Other Funds:

First Interim				
Other Funds:	Beginning Balance	Revenue	Expenditures	Ending Balance
Cafeteria Special Revenues (13)	3,017	209,415	171,145	41,287
Deferred Maint Fund (14)	323,690	36,410	210,000	150,100
Special Reserve (17)	429,222	566,116	300,000	695,338
Capital Facility Fund (25)	265,946	111,000	221,942	155,004
Tax Override (53)	0.38	-	-	0.38

Summary

Identifying fiscal challenges early is the key to success when it comes to maintaining fiscal health. Diligent planning will enable the district to better understand its financial objectives and strategies to sustain a high level of fiscal efficiency. Based on the first interim, the administration feels significant fiscal pressure. The pressure comes from increasing pension costs, on-going deficit spending, and lack of facility dollars (outside General Fund).

The fiscal challenges are here, it is imperative that we take the direction and guidance from the Board and the Administrators to work together with our staff and community to establish a solid fiscal foundation and to enhance the fiscal strengths of the District.