

**Pleasant Valley School District
2015-16 Adopted Budget Report
June 4, 2015**

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 2015-16 Adopted Budget. To allow approval of a budget by June 30, estimates of 2014-15 expenditures, revenue and fund balances have been used in place of actual information, which will not be available until September, 2015. The Adopted Budget will be presented to the Board for approval at the June 18, 2015 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 2015-16 State Budget

The Governor's 2015-16 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 significant one-time discretionary funding for school districts. The remaining increased funding primarily is going towards paying down state debts and making deposits 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 \$6.1 billion over three years (2013-14 through 2015-16). In the current year, the minimum guarantee will reach \$66.3 billion and increase to \$68.4 billion in 2015-16. The May Revision also acknowledges that the Proposition 98 maintenance factor, the amount owed to K-14 education to restore the cuts imposed

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during the recession, will almost be fully repaid in 2015-16. As recently as June 2014, the Administration estimated that the maintenance factor totaled \$6.6 billion.

The Governor's May Revision provides \$6.1 billion for continued implementation of the Local Control Funding Formula (LCFF). The increase equates to a statewide average of 14% or \$1088 per pupil. For Pleasant Valley School District the increase is 11% or \$728 per pupil. This additional LCFF funding will close 53% of the remaining gap between the 2014-15 funding level and the LCFF funding target. The Governor also proposes spending \$3.5 billion, or an estimated \$601 per average daily attendance (ADA), in discretionary one-time funds that will offset any applicable mandate reimbursement claims.

One of the consequences of last year's Budget Act and the passage of Proposition 2 (2014) was the addition of a requirement that would place limits on the level of reserves a school district could maintain when certain conditions exist. Based on the May Revision proposal, all of the conditions for implementation of those limitations will not be met in 2015-16 and, therefore, the cap will not be triggered. (School Services of California, 2015)

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.

2014-15 Year End Estimate

The 2014-15 Second Interim Budget and Year End Estimate is presented below.

	2nd Interim	Year End Estimate	Difference
Total Revenue	53,124,912	53,126,038	1,126
Total Expenditures	61,805,650	60,328,606	(1,477,044)
Net Increase (Decrease)	(8,680,738)	(7,202,568)	1,478,170
Beginning Fund Balance	14,885,294	14,885,294	
Ending Fund Balance	6,204,556	7,682,726	

Revenues remain unchanged while expenditures reflect a decrease of \$1.5 million. At the time of the Second Interim Budget report, negotiations between the District and PVEA were not settled. The District had budgeted approximately \$1.8 million in anticipation of an eventual settlement. The amount budgeted at Second Interim reflected a 3% salary schedule increase, a 2.5% off-salary schedule bonus and increases to the health benefits caps for all employees. Negotiations have since been settled resulting in a 3% salary schedule increase and increases to the health benefits caps. In lieu of a 2.5% off-salary schedule bonus, an ongoing 0.5% was included in a 6% salary schedule increase effective July 1, 2015. Approximately, half of the decrease in expenditures is the removal of the 2.5% one-time bonus for PVEA and an additional 1% one-time bonus for all other groups. The remaining decrease in

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expenditures is related to revised estimates for utilities, contracts, services, retiree and health benefit costs.

2015-16 Adopted Budget

There are significant changes between the 2015-16 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	56,529,767	60,792,112	4,262,345
Total Expenditures	<u>56,387,053</u>	<u>59,524,370</u>	<u>3,137,317</u>
Net Increase	142,714	1,267,742	1,125,028
Beginning Fund Balance	<u>6,204,556</u>	<u>7,682,726</u>	
Ending Fund Balance	<u><u>6,347,270</u></u>	<u><u>8,950,468</u></u>	

Revenues reflect an increase of \$1.5 million due to an increase in the proposed LCFF funding between the Governor's 2015-16 January Budget Proposal and May Revision. An additional \$2.7 million in revenue reflects a proposed increase from \$180 to \$601 per ADA in discretionary one-time funds. The increase in expenditures is mainly due to \$2.8 million in negotiated salary and benefit improvements. Effective July 1, 2015, all salary schedules will reflect a 6% increase. Increases on the health benefit caps of \$360 for one-party, \$2,160 for two-party and \$3,600 for family are effective October 1, 2015.

The 2015-16 Adopted Budget is also presented by three categories - Unrestricted Operations, 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.

	2014-15 Year End Estimate	2015-16 Adopted Budget
Cash	5,250	5,250
3% State Designated for Economic Uncertainties	1,809,860	1,785,732
Instructional Materials Adoption	1,889,301	1,158,149
Equipment (Busses, mowers)	192,045	192,045
One-time Mandated Costs Payment		2,859,000
Program Balances	10,301	10,301
Budget Stabilization	<u>3,775,969</u>	<u>2,939,991</u>
Total	<u>7,682,726</u>	<u>8,950,468</u>

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. The reserve for the one-time mandated costs payment reflects the increase in discretionary funding as part of the Governor's May Revision. This reserve will be budgeted as expense when a plan for its use is developed.

Instructional Program Implications

The 2015-16 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 expires 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 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 2015-16 Adopted Budget as presented at the June 18, 2015 Board meeting.

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2014-15 Year End Estimate and 2015-16 Adopted

	I 2014-15 Year End Estimate	II 2015-16 Adopted Budget
Revenue		
8010-8099 LCFF/Revenue Limit	42,795,255	47,465,267
8100-8299 Fed Revenue	2,495,566	2,325,108
8300-8599 Othr State Rev	1,708,811	5,164,515
8600-8799 Local Revenue	6,126,406	5,837,222
Total Revenue	53,126,038	60,792,112
Expenditures		
1000 Certificated Salaries	26,586,077	28,431,615
2000 Classified Salaries	7,951,308	8,669,803
3000 Employee Benefits	10,416,344	11,542,044
4000 Books & Supplies	7,689,291	3,951,892
5000 Services & Contracts	5,760,077	5,397,231
6000 Capital Outlay	303,849	-
7000 Other Outgo	1,621,660	1,531,785
Subtotal Expenditures	60,328,606	59,524,370
Other Financing Sources/Uses		
Contributions	-	-
Interfund transfer out	-	-
Subtotal Other Financing	-	-
Total Expenditures	60,328,606	59,524,370
Net Increase/(Decrease)	(7,202,568)	1,267,742
Beginning Balance	14,885,294	7,682,726
Ending Balance	7,682,726	8,950,468
<u>Reserves:</u>		
Cash	5,250	5,250
Legally Restricted	-	-
Designated Econ Uncert	1,809,860	1,785,732
Instructional Materials Adoption	1,889,301	1,158,149
Equipment (Busses, mowers)	192,045	192,045
One-time Mandated Costs		
Payment		2,859,000
Program Balances	10,301	10,301
Budget Stabilization	3,775,969	2,939,991

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By Category**

	I Unrestricted Operations	II Unrestricted Programs	III Restricted Programs	IV Total Budget
Revenue				
8010-8099 LCFF/Revenue Limit	40,030,843	7,434,424	-	47,465,267
8100-8299 Fed Revenue	35,000	63,000	2,227,108	2,325,108
8300-8599 Othr State Rev	4,039,000	883,741	241,774	5,164,515
8600-8799 Local Revenue	1,055,400	414,892	4,366,930	5,837,222
Total Revenue	45,160,243	8,796,057	6,835,812	60,792,112
Expenditures				
1000 Certificated Salaries	15,123,883	8,934,102	4,373,630	28,431,615
2000 Classified Salaries	5,086,016	829,931	2,753,856	8,669,803
3000 Employee Benefits	7,811,944	1,645,604	2,084,496	11,542,044
4000 Books & Supplies	1,326,491	1,629,154	996,247	3,951,892
5000 Services & Contracts	2,381,173	1,037,948	1,978,110	5,397,231
6000 Capital Outlay	-	-	-	-
7000 Other Outgo	1,023,345	85,000	423,440	1,531,785
Subtotal Expenditures	32,752,852	14,161,739	12,609,779	59,524,370
Other Financing Sources/Uses				
Contributions	(11,139,649)	5,365,682	5,773,967	-
Interfund transfer out	-	-	-	-
Subtotal Other Financing	(11,139,649)	5,365,682	5,773,967	-
Total Expenditures	43,892,501	8,796,057	6,835,812	59,524,370
Net Increase/(Decrease)	1,267,742	-	-	1,267,742
Beginning Balance	7,672,425	10,301	-	7,682,726
Ending Balance	8,940,167	10,301	-	8,950,468
<u>Reserves:</u>				
Cash	5,250			5,250
Legally Restricted			-	-
Designated Econ Uncert	1,785,732			1,785,732
Instructional Materials Adoption	1,158,149			1,158,149
Equipment (Busses, mowers)	192,045			192,045
One-time Mandated Costs				
Payment	2,859,000			2,859,000
Program Balances		10,301		10,301
Budget Stabilization	2,939,991			2,939,991