



Superintendent: Eileen Rohan Board of Trustees: Annelise Bauer - Anne Capron - Hadley Dettmer - Wesley Pratt - Amy Stock

The Ross Valley School District 2013-14 First Interim Budget Report is attached for review and approval of the Board of Trustees. This is the first of two interim budget reports required each year by state law.

Report Format

This report includes two components:

- This narrative providing discussion and analysis of the district's financial condition as of November 26, 2013, the date of the report ;
- The state-required Standardized Account Code Structure (SACS) budget report forms, which include a variety of financial facts, figures and analyses including the following significant components:
 - Multi Year Financial Projection (MYFP)
 - Cash Flow Projection
 - Criteria and Standards Report

Narrative to explain and interpret the above documents follows, along with significant budget assumptions utilized to develop the budget as well as the financial outlook of the state of California.

Budget Certification

The state requires each district to submit its budget report with one of the following certifications:

Positive – the district will be able to meet its financial obligations for the current and subsequent two fiscal years

Qualified – the district may not be able to meet its financial obligations for the current and subsequent two fiscal years

Negative – the district will not meet its financial obligations in the current or following fiscal year

Staff recommends this budget report be submitted to the Marin County Office of Education with a positive certification, as supported by the Multi Year Financial Projection included herein.

Local Control Funding Formula

This budget includes current estimates of the funds the District will receive as a result of the new Local Control Funding Formula (LCFF). As staff has reported in the past, the State Board of Education is developing regulations regarding how the LCFF funding system will be implemented in California particularly with respect to the supplemental and concentration funds included in the formula for students designated as English Language Learners, Low Income or Foster Youth (Ross Valley School District will receive supplemental funds, but it will not receive concentration grants). A draft set of regulations has been circulated, and it is expected they will adopt the same in January or February 2014.

However, there are various points of view across the state in regards to how the supplemental funds should be spent. Advocates believe these funds should be restricted by the state to directly serving these students, that school districts should account for this spending, that the districts cannot be left alone to determine how to

address these student’s needs. On the other end, school districts are arguing for unencumbered, unfettered local control driven by reference to community standards as determined by the local school board. Conventional wisdom at this point is that the advocacy groups are being heard by the State Board of Education, and some amount of restriction on the use of these funds will be required. To date the general consensus is Districts will be required to allocate a proportional amount of the increased funds provided by the LCFF to services supporting these three populations.

Much discussion is occurring about issues that would result if such restrictions were imposed. For Ross Valley, the short term impact should be relatively minimal as our populations are comparatively small, and we increased expenditure allocations for these groups this year (converted ELL services from classified to certificated staff, added a Program Improvement Teacher at Manor). However, over time, as the formula continues to allocate a greater percentage of the funding model to these populations, we will be required to allocate ever increasing amounts to meeting their needs. This is a discussion that should take place once the final regulations require such allocations, which again will occur in January or February 2014.

Nonetheless we hope the state, for the sake of everyone involved, will “go lightly” with accountability in 2013-14 (as the year is already half over) and focus their energy and efforts to gearing up for the 2014-15 year. The RVSD budget revision approved by the Board of Trustees on August 6th, 2013 reflected actions taken to transfer from the old Revenue Limit funding formula to the LCFF.

Average Daily Attendance projections, the basis for most of our General Fund dollars, have been updated to reflect a decrease of 17 from the previous budget revision on August 6th, 2013. The Average Daily Attendance numbers have been updated as follows:

	Adopted Budget	August 6th, 2013	First Interim
Total K-8	2,226.07	2,226.07	2,209.66

Fiscal Outlook – State of California

With the new LCFF funding formula, Proposition 30 and Proposition 39 enacted, school districts have begun receiving new funds. The State Department of Finance has issued projections that state revenues will grow at a 5-7% annual pace over the next several years, which bodes well for schools.

That being said, Proposition 30 is a revenue source that will have to be renewed. Furthermore, the funding formula may only be fully implemented if the State sees ongoing economic growth, stable enough to fund the eight year projected transition from the Revenue Limit to the LCFF.

The LCFF adds a new uncertainty. While the state is providing additional revenue for the first time in many years, its distribution is vastly different than it was under the Revenue Limit. The area of most concern has revolved around the multi-year projection’s COLA and the funding gap rate, which yield the amount of increased funds for each district. As a result, certain adjustments have been made by staff to reflect their best judgment about funding rates and mitigate uncertainty of the new funding formula.

Below is a comparison between the projected funding gap rates deemed appropriate by the Department of Finance (DOF) and Ross Valley School District (RVSD) for 2014-15 and 2015-16.

	DOF Gap Rate	\$ Change	RVSD Gap Rate	\$ Change
2014-15	16.49%	\$14,501,930	12.85%	\$14,372,724
2015-16	18.69%	\$15,139,545	10.05%	\$14,739,653
Difference		\$129,206		\$366,929

Health Care Reform Costs

Federal health care reform may create unanticipated employer costs. To date staff projects the increase can be managed if the District complies with the mandate; failure to comply could result in significant fiscal penalties. To that end staff is working with other Marin school districts to analyze the potential impact to the District's budget. Once this work is complete staff will develop and present a recommendation to the Board of Trustees regarding any reserves that may be necessary to shield the District from unanticipated cost.

General Fund Budget Changes – Adopted Budget to First Interim

Budgets are developed with many assumptions and estimates; they will change over time. Below is a table that identifies the changes made since the budget was revised on August 6th, 2013.

Budget Changes Adopted Budget to First Interim

Surplus – Budget Revision of Aug 6 **-\$120,477**

Changes Since Budget Revision:	Revenue	Expenditure	
ADA Decline	(\$109,265)		
Carryover \$43k;-\$12k reduction to Special Education	\$31,556		
Prop 39 \$88k; Special Ed Mental Health \$15k	\$106,053		
Donations \$18k; YES \$63k; Facilities \$5k	\$86,320		
Donations, K Teacher, Special Education Program Manager, YES & Placement of Staff		\$227,471	
Special Education budget reallocated to fund Program Manager		(\$86,000)	
Special Education Aides		\$53,508	
Health Benefits - update to actual positions		\$75,610	
Supplies- Carryover		\$304,128	
Services - Carryover		\$32,069	
YES Music/Art Supplies &Technology/Repairs & Staff Development		\$47,000	
WH Solar Panel		\$25,000	
Behavior Intervention		\$20,126	
Prop 39 allocation – energy efficiency projects		\$88,476	
Copier Leases		\$12,000	
Special Education Mental Health		\$15,000	
Other		\$7,018	
Total Changes	\$114,664	\$821,406	-\$706,742
Budget Deficit, 1st Interim			-\$827,219
Beginning General Fund Balance, 7/1/13			\$4,561,936
Ending General Fund Balance, 6/30/14			\$3,734,717

The revenue changes reflect updated or new information since the budget was revised on August 6th, 2013. The expenditure changes reflect allocations of these new revenues, as well as carryover of unspent funds from 2012-13 and identified unfunded new expenditures.

Unspent balances from the 2012-13 were identified through closing of the books in September. This carryover is included above and has been allocated as follows:

Funding Source	Purpose	Amount
Lottery – Restricted	Instructional Materials	\$120,968
Parcel Tax –Restricted	Maintenance & Operations	\$144,560
Mental Health-Restricted	Mental Health	\$25,090
Economic Impact Aid	English Language Learners	\$45,987
Total Restricted Resources		\$336,605
Unrestricted Carryover	Sites/Departments	\$64,650

The -\$827,219 budget deficit may at first glance be of concern but when adjusting for one-time expenditure allocations an on-going surplus is revealed as follows:

Budget Deficit, 1 st Interim	-\$827,219
One-Time Expenditure Allocations:	
Technology	\$650,697
Deferred Maintenance	\$86,406
Carryover	\$336,197
On-Going Surplus, 1st Interim	\$246,081

A schedule is attached describing the components of the Ending Fund Balance of \$3,734,717.

Budget Assumptions

The 2013-14 General Fund budget was developed with a number of assumptions. The table below identifies the most significant assumptions utilized with the August 6th budget revision and the 1st Interim update.

Assumption	Aug 6 Revised Budget	First Interim Budget
Revenues:		
LCFF COLA	1.57%	1.57%
LCFF Gap Percentage	11.78%	11.78%
Enrollment/ADA Growth	91/87	74/70
K-3 CSR Class Sizes	20:1 Gr K-2, 25:1 Gr 3	20:1 Gr K-2, 25:1 Gr 3
Parcel Tax Revenue Increase	\$119k	\$119k
Expenditures:		
Staffing changes over prior year – Certificated	+9.2 FTE	+10.2 FTE
Staffing changes over prior year – Classified	+8 FTE	-.5 FTE
Salary Schedule Cost of Living Adjustment	0%	0%
Step & Column Movement - Certificated	1.5%	Actual Cost
Step & Column Movement – Classified	2.4%	Actual Cost
Health & Welfare Benefits Cap	No increase	No Increase

Enrollment dropped by 18 pupils over the prior estimates in the 45 day Revised Budget, which staff estimates, will yield an decrease in Average Daily Attendance (ADA) of 17.28.

Step and Column movement across the salary schedules are included at actual cost, net savings from resignations and retirements.

Other Funds

No significant budget changes have been made to the other funds of the District.

Attachments to this Report

Also attached is a “Changes” schedule that provides a quick reference to budget changes approved from the Adopted Budget in June to the August Revision to the First Interim, as well as a page titled “Reserves” detailing same from the ending balance of the General Fund.

To accommodate readers of this report, also attached is a report titled “Narrative August 6” presented to the Board of Trustees at their August 6, 2013 meeting. This report will allow the reader to understand revisions to the Districts Adopted Budget that were presented at that time.