

**Ross Valley School District
 Proposed Budget 2014-2015 Fiscal Year
 Narrative**

The Ross Valley School District (RVSD) proposed budget for the 2014-15 school year is presented for the Board of Trustees review and approval. This budget must be approved and presented to the Marin County Office of Education by June 30, 2014. The County Office will review and advise of any comments by August 15, 2014.

General Fund

The proposed 2014-15 RVSD General Fund budget was developed utilizing community input received and reported in the Districts Local Control Accountability Plan, or LCAP, as supported by the draft RVSD Strategic Plan. Funds were allocated to provide for enrollment growth, attracting and retaining staff, and to meet the needs of English Language Learners, Low Income and Foster Youth pupils as per the LCAP. Funds were also allocated for increased pension obligations of state mandated employee retirement plans as proposed by the Governor in May. These allocations exceed \$1 million and are detailed in the schedule below.

Salary Schedule movement	\$236,497
Collective bargaining settlements, all staff - 2014-15	\$407,326
Increase teaching staff 3.6 fte Middle School	\$276,804
Decrease teaching staff -3.0 fte Elementary Schools	-\$230,670
Continue ELL Specialist 1.0 fte	\$45,987
Benefits for all of above items	\$162,034
STRS Rate Increase	\$141,364
PERS Rate Increase	\$15,000
LCFF Required Increase to ELL/Low Income students	\$25,617

To finance the above, the District expects to receive new funds from the State of California’s Local Control Funding Formula. Over \$1.1 million in new funds were provided RVSD for the 2014-15 year. We also project to receive additional funds from our local parcel tax, and other local sources, bringing new revenues to \$1.4 million.

Unfortunately the District has an “operating deficit” (defined as recurring spending that exceeds recurring income) from the 2013-14 year. The District will finance this deficit of -\$434,377 in the 2014-15 year by drawing against its reserves. Then, beginning in the 2015-16 year, the District expects to have operating surpluses in the \$200,000-\$250,000 per year range. This occurs as a result of significant projected State funding increases for schools, which are based upon an optimistic economic outlook by the State.

If these projections do not materialize, RVSD may find itself with operating deficits in those years as well. Thus, it is critical to the fiscal health of the District that allocation of these future funds be avoided until receipt is confirmed in those future years.

Reserves

As noted earlier in this report, the District maintains a \$2.2 million balance in its General Fund that has been designated for identified priorities:

- Deferred facility maintenance
- Instructional materials adoptions for implementation of Common Core State Standards
- Special Education program placements
- State-required reserves of 3% of budgeted expenditures
- Board-policy 3100 reserves

Attached is a schedule providing reconciliation between the 2013-14 and 2014-15 budgeted reserves.

Other Funds

The District operates other funds which account for a variety of programs, such as Child Nutrition, Bond Program, Developer Fees and Debt Services. The budgets presented in these funds are relatively unchanged from prior years.

State Fiscal Outlook

Two significant risks exist to the state budget:

- Economic trends not developing as projected by the state
- Proposition 30 funds not renewed once they expire beginning in the 2016-17 year

Either or both of these events could completely reverse the state's commitment to fully fund schools via the new Local Control Funding Formula. Additionally, the Governors proposed increases to retirement system contributions will require ever-increasing allocations in future years; the total cost for RVSD is projected to double from \$1.4 million to \$2.8 million in seven years.

The cumulative effect of these risks will require considerable prudence in decision making by administration and the Board of Trustees of RVSD. Staff advises that any decision to allocate new dollars be considered only after those dollars are fully committed to the District. Absent such caution, the District could easily find itself in a severe financial crisis in a relatively short period of time.

Recommendation

Staff recommends the Board of Trustees approve the 2014-15 budget as presented.

ROSS VALLEY SCHOOL DISTRICT
GENERAL FUND BUDGET
Proposed Budget 2014-15

Reserves

	Required - Unavailable		Committed - Unavailable					Available	Total
	State Required Reserve 3%	Non-Spendable Assets	Textbooks	Board Policy 3100 Reserve Target = 7%	Deferred Facility Maintenance	PERS/STRS Rate Increases	Special Education	Unappropriated	Total
Reserves, Working Budget, 2013-14	\$693,450	\$3,000	\$200,000	\$1,286,892	\$113,954	\$150,915	\$100,000	\$0	\$2,548,211
Allocations:									
Allocate Collective Bargaining and PERS/STRS Rate Increase Reserves				\$150,915		-\$150,915			\$0
Budget Deficit, 2014-15				-\$358,675					-\$358,675
Contracted - PE Specialist				-\$75,702					-\$75,702
Adjust Reserves	-\$18,141			\$18,141					\$0
Reserves, 2014-15	\$675,309	\$3,000	\$200,000	\$1,021,571	\$113,954	\$0	\$100,000	\$0	\$2,113,834

Change in Reserves:	State Required		BP 3100		Total
State/Board Policy 3100 Reserve - Per Above Schedule for 2013-14		2.99%		5.54%	8.53%
State/Board Policy 3100 Reserve - Per Above Schedule for 2014-15		3.01%		4.55%	7.56%
Change		0.02%		-0.99%	-0.97%