

BOARD OF EDUCATION Attachment: Action 14
PALO ALTO UNIFIED SCHOOL DISTRICT Date: 12.08.15

TO: Glenn "Max" McGee, Superintendent
FROM: Cathy Mak, Chief Business Officer
SUBJECT: 2015-16 First Interim Financial Report

This item was discussed by the Board of Education at its November 10, 2015 meeting. It is being presented for action at this meeting. Additions and changes to this document are shown in bold italics. The changes are increase in property tax revenue of \$1,024,000, transfer to the Basic Aid Reserve Policy of \$93,335, program augmentations totaling \$773,000 of which \$153,000 will be funded from the unrestricted undesignated fund balance, \$240,000 from unallocated property tax revenue and \$380,000 will be funded by the State's one-time discretionary funds.

STRATEGIC PLAN INITIATIVE
Budget Trends and Infrastructure

RECOMMENDATION

It is recommended that the Board:

1. Give a positive certification to the County Superintendent that the District can meet its financial obligations through the end of the fiscal year and for the subsequent two years.
2. Approve the budget revisions listed in the projected year totals.

BACKGROUND

Education Code requires California school districts to submit interim financial reports to their County Office of Education twice a year. This first interim report reflects the status of District finances as of October 31, as required by the State.

Based on the information contained in this report, the Board of Education must certify as to whether the District will be able to meet its financial obligations for the remainder of the current fiscal year and for the two years following the current fiscal year.

2015-16 BUDGET EXECUTIVE SUMMARY

Since the adoption of the Districts 2015-16 Budget, there have been a few significant changes to the District's financial position.

1. Local Property Tax Revenue. In August, the Santa Clara County Controller's office estimated 2015-16 property tax revenue of \$150,818,000, a growth of 10.25% over 2014-15. This is an increase of \$6.7 million over the 5.24% growth budgeted in June. ***In November, the Controller's office revised the estimated property tax revenue to be \$151,842,000, a growth of 10.99%, an increase of \$1,024,000 from the August estimates and the September Revised Budget.***

2. One-Time Discretionary Funds. The proposed State budget included one-time discretionary funds of \$601 per ADA or \$7.2 million to PAUSD. The enacted budget reduced the allocation to \$530 per ADA or \$6.4 million to PAUSD. Although these dollars are discretionary, the intent language is to be used for professional development, instructional materials, technology infrastructure, and any other investments necessary to implement Common Core State Standards.
3. One-Time Educator Support Funds. The enacted budget includes one-time funding for activities that promote educator quality and effectiveness. Funding is estimated at \$1,450 per 2014-15 certificated staff. This equates to approximately \$1,278,509 to PAUSD.
4. Adult Education. The enacted budget includes ongoing funding sources for Adult Education programs. The estimate is \$1,283,035 to PAUSD.

All of the changes mentioned above have been made prior to the first interim.

Proposed Budget Changes in First Interim Report

At this time, the District has revised its Budget to include revenue and expenditure adjustments. The following are the adjustments made at the First Interim Report:

Revenues:

- Parcel tax exemptions claimed are higher than initially projected. Decrease of parcel tax revenues by \$144,652.
- Lease Revenue increase of \$28,249 due to adjusting Cubberley annual lease increase to 3% and other minor adjustments to estimated lease revenue.
- State Education Protection Account Funds decrease by \$39,296 due to the decline in enrollment.
- Voluntary Transfer Program revenue increase by \$33,625 due to a small increase in VTP students.
- Special Education Revenue decrease by \$61,307 per County office projections.

Expenditures:

- Personnel savings of \$337,700 from the unused 2.70 FTE in the growth teacher budget.
- Transfer to Adult Education increase by \$256,607
- Student Survey expense increase by \$76,000. The expense will pay for the automated student survey platform that will be used to fulfill components of the teacher's contract.
- Special Education expense increase by \$15,323 due to increase in restricted program revenue.

Program Augmentations

Below are the proposed one-time budget requests for 2015-16 totaling \$773,000. In addition to the one-time expenditure requests (items 1-5), we are also requesting Board approval on two critical need requests (items 6-7). We hope to hire the athletics trainers and be ready to start in the spring season and for the parent liaisons to start working with the various school sites immediately.

ONE-TIME REQUESTS (\$533,000): Items #1 and #2, totaling \$153,000 will be funded by the unrestricted undesignated fund balance. Items #3, 4, and 5, totaling \$380,000 will be funded by the State's one-time discretionary funds already in the budget and therefore has no impact to the general fund.

- 1. Special Education Program Review (\$78,000): The Harvard Review is in progress. There is additional cost of \$78,000 to complete the review. We anticipated that the Harvard Review will make recommendations to strengthen our inclusive practices and develop a system to assure closer connections with parents and the extended community.*
- 2. Solar Feasibility Study (\$75,000): The funds will be used to explore the possibility of installing solar systems on district campuses. The costs include hiring a consultant to do a feasibility study, to create a RFP for a procurement specialist and to make recommendation for best course of action.*
- 3. Curriculum Committee (\$100,000): This budget will support committees to develop and revise living skills and computer science curricula and evaluate various counseling models at our high schools.*
- 4. Elementary Math Pilot (\$150,000): Math pilot programs at several elementary schools. Purchase textbooks in 2015-16 for 2016-17 implementation.*
- 5. Elementary classroom leveled libraries (\$130,000): Funds will be used to assist with developing and expanding leveled libraries. Students need at least 6 leveled texts each week in the younger grades on their reading level to read in order to develop all of the key literacy skills that promote strong reading students.*

ON-GOING REQUESTS (\$240,000): Funding for Items #6 and #7 will come from the unallocated property tax revenue.

- 6. Athletics Trainers (\$160,000): The high schools need full time trainers to deal with the growth in the number of student athletes and teams. Trainers are needed to implement important concussion protocols to ensure the safety of the students and monitoring and ensure compliance of health related needs of students participating in school sports.*
- 7. Parent Liaisons (\$80,000): This is one of the MATD recommendations. At the elementary level the classroom teacher, ELD teacher, and primary language tutor work together to meet student needs. The parent liaisons will provide valuable help to the team by communicating with families of ELs and HUR to gain greater parent participation and student connectedness and make them feel welcome.*

Based on the year to date budget changes and the proposed budget adjustments for the First Interim Report, the estimated unallocated revenue is **\$8.1 million**. The District is currently engaged in a process to determine the allocations of these funds which include potential settlement costs with employee bargaining units.

DISTRICT RESERVE

The current reserve, from the General Fund and the Basic Aid Reserve is projected to be 9.7%. Because there are substantial one-time revenues in 2015-16, the total reserve will fulfill the 10% basic aid reserve requirement based on on-going expenditures.

<i>Reserve for Economic Uncertainties</i>	<i>\$ 6,481,515</i>	<i>3.0%</i>
<i>Unrestricted, Undesignated Balance</i>	<i>\$ 53,818</i>	<i>0%</i>
<i>Basic Aid Reserve</i>	<i><u>\$14,487,118</u></i>	<i><u>6.7%</u></i>
<i>Total estimated 2015-16 ending reserve</i>	<i>\$21,022,451</i>	<i>9.7%</i>

FIRST INTERIM REPORT

Attached is the 2015-16 first interim report. This report includes a general fund summary, a summary report on the other funds, a five-year general fund projection, *and the criteria and standards forms.*

FIRST INTERIM REPORT GENERAL FUND SUMMARY (Page 11-12)

This is a summary of the status of the current 2015-16 year budget. The general fund summary shows the adopted budget (column A), the current revised budget (column B), the revenues and expenses as of October 31 (column C), and the projected year totals for revenue and expenditures (column D). The current revised budget (column B) includes the budget adjustments from the September budget update and all other routine budget adjustments through October 31.

The following provides details on each of the changes in the October 31, 2015 budget.

Revenue

Property Tax (Increase of \$1,024,000): *In November, the Controller's office revised the estimated property tax revenue to be \$151,842,000, a growth of 10.99%, an increase of \$1,024,000 from the August estimates and the September Revised Budget.*

Parcel Tax (Decrease of \$144,652): Parcel tax exemptions claimed are higher than initially projected.

Lease Revenue (Increase of \$28,249): To reflect Cubberley annual lease increase to 3% and other minor adjustments to estimated lease revenue.

State Education Protection Account Funds (Decrease of \$39,296): Estimated funding from the State is decreased due to the lower enrollment than initially projected.

Voluntary Transfer Program (Increase of \$33,625): Estimated funding from the State is increased due to the small increase in VTP students.

Special Education Revenue (Decrease of \$61,307): Per County office projections.

Expenditures

Personnel (Decrease of \$337,700). Decrease of personnel savings from the unused 2.70 FTE in the growth teacher budget.

Adult Education (Increase of \$256,607). Additional amounts need to be transferred to Adult Education Fund for the Maintenance of Effort requirement.

Student Survey expense (Increase by \$76,000). The expense will pay for the automated student survey platform that will be used to fulfill components of the teacher's contract.

Special Education expense (Increase by \$15,323). Corresponding increase in expenditures due to the increase in restricted revenue.

Transfer to the Basic Aid Reserve Fund (Increase of \$93,335). The District's Basic Aid Reserve Policy requires District to set aside 10% of the total expenditures. 3% is reserved in the General Fund and 7% in the Special Reserve Fund (17). With the increased in revenue, this is the additional amount required to transfer to the Basic Aid Reserve Policy to fulfill the requirement.

Program Augmentations (Increase of \$393,000). Program augmentations for special education program review, solar feasibility study, athletics trainers at the high schools and parent liaisons for families of English learners.

Unallocated funds of \$8,133,612 are shown as available for program enhancements and employee compensation based on year to date budget changes and the proposed budget adjustments in the First Interim Budget Report.

FUND BALANCE

Unrestricted, Undesignated Fund Balance

In September the unrestricted, undesignated fund balance was projected at \$340,837. The balance is now projected at **\$53,818**, a decrease of **\$287,019**. The small decrease is primarily from the adjustments of reserve amounts for economic uncertainties.

Fund Balance Designations

The total 2015-16 General Fund ending fund balance is estimated to be **\$29.1 million**. Portions of the fund balance were reserved for revolving cash accounts, stores inventories, and prepaid expenses. The State recommended reserve for economic uncertainties and legally restricted grants and entitlements. Portions of the fund balance have also been designated to provide for specific purposes or previously appropriated one-time projects:

	2015-16 1st Interim
Revolving cash	\$ 30,000
Stores inventories	166,529
Prepaid expenses	56,655
<i>3% reserve State recommended for economic uncertainties</i>	<i>6,481,515</i>
Professional development	4,741,128
New school funds	6,089,000
Restricted grants and entitlements	3,606,083
School discretionary carryovers	2,237,343
Tier III categorical carryovers	2,947,311
Program carryovers	2,665,053
<i>Unrestricted, undesignated fund balance</i>	<i>53,818</i>
Total Fund Balance	\$29,074,435

CRITERIA AND STANDARDS SUMMARY REVIEW (Pages 13-15)

The District is in full compliance with cash balance, fund balance, and reserve requirements.

CAPITAL FUNDS (Page 16)

The District account structure has a number of funds in addition to the General Fund whose status is reported above. The District has significant activity and fund balances in several funds related to construction, modernization, and maintenance called "capital funds" whose uses are restricted to capital improvement purposes. Also reported here is the status on certain issues that affect the financial status of capital funds in the District.

Fund 14-140, Deferred Maintenance Fund. The revenue sources for this fund consist of local district transfers and interest. The funds can be used for deferred maintenance projects. Revenue in the amount of \$5,289 is projected from interest earnings. In addition, transfers from the Routine Maintenance Funds of \$450,000 to help with the project costs. The ending balance for this fund for 2015-16 is projected at \$837,511.

Fund 21-210, Property Fund. The revenue consists of lease income and interest earnings and is projected to be \$129,604. Expenditures are restricted to capital outlay. The ending balance for 2015-16 is projected at \$1,831,871.

Fund 21-211, Building Projects Fund. Revenue in the amount of \$15,746 is projected from interest earnings. Expenditures are restricted to capital outlay and related costs. The ending balance is now projected at \$3,366,583.

Fund 21-212, Measure A – Strong Schools Bond Fund. This fund records the revenue and expenditures resulting from the \$378 million bond issue approved by the voters on June 3, 2008. These funds are available for repairs, improvements, and renovations of and additions to school buildings and grounds including classrooms, science and other laboratories and libraries, safety and seismic upgrades, roofs, plumbing, sewer, lighting, and electrical and mechanical systems. Including interest income, State grants, and the funding for bond issuing costs, the current anticipated revenue for this program is \$393,187,191 as adopted by the Board of Education and modified with Board approved amendments. Expenditures in the amount of \$391,190,984 have been budgeted for multi-year projects. The amount of \$1,996,207 remains to be budgeted and is shown for now in the ending fund balance.

Fund 21-215/216, Planned Maintenance Fund. Bonds in the amount of \$17 million for planned maintenance were authorized by the voters in 1995 and were issued in July 2000. These funds were fully spent in 2013-14. Beginning in 2013-14, the funding for planned maintenance was taken over by the \$17.8 million allocation from the Strong Schools Bond and will be accounted for in Fund 216. Revenue in the amount of \$64,875 is projected from interest earnings. The ending balance for 2015-16 is projected at \$11,416,281.

Fund 25-250, Capital Facilities Fund. The revenue for this fund consists of developer impact fees and interest income. At this point, the fee revenue is projected at \$700,000 and \$18,924 in interest income. Expenditures in this fund are restricted to school facilities and related costs. The estimated expenditure for the year is \$242,287. The ending balance is projected at \$5,597,069.

ALL OTHER FUNDS (Page 17)

Fund 11-110, Adult School Fund. Adult Education is primarily supported by state revenue and student fees for classes not supported by the State.

Fund 12-120, Child Development Fund. This program is supported by State revenue and parent fees. Child care services are provided by Palo Alto Community Child Care (PACCC) as a sub-contractor to the District.

Fund 13-130, Cafeteria Fund. The District receives federal and state funds for the Cafeteria program and also receives revenue from food sales. For 2015-16, this program is not budgeted to encroach upon the general fund. The program's year-to-date sales are on track with the budget.

Fund 17-170, Special Reserve Fund. This fund holds the District's Basic Aid Reserve. The fund is estimated to have a balance of \$14,487,118 at the end of 2015-16.

Fund 20-200, Retiree Benefits Fund. This fund, formerly Fund 710, was established in June 2006 to prepare for the compliance with GASB 45 and the funding of retiree benefits. GASB 45 requires public agencies to report costs and obligations for post employment benefits. New employees hired after July 1, 2009, are not entitled to this benefit. With this change, the retiree benefit liability will cease over time. The District plans to spend down the balance in this fund over 30 years. The fund is estimated to have a balance of \$2,273,896 at the end of 2015-16.

Fund 67-670, Self-Insurance, Dental Fund. The District is self-insured for its dental insurance program. The income source is premiums paid by the District on behalf of employees and expenditures are for claims incurred.

Fund 67-671, Workers Compensation Fund. The District transitioned from being self insured for workers' compensation to being fully insured on July 1, 2013. Prior to this, the District was self-insured for its Workers Compensation Program. The projected remaining costs of these old claims were accrued at the end of 2014-15 and will be paid from this payable.

MULTI-YEAR GENERAL FUND PROJECTION (Page 18)

Staff has prepared a five-year model of projected revenue and expenses, extending through the year 2020-21.

This model is dependent on the assumptions used and the variables that are available in the model. The assumptions are not just likely to change, they definitely will change as time passes, and the District continues to reassess the assumptions in the current model. While the model provides for additional teachers and site allocation funds for enrollment growth, it does not provide for any percentage driven increases in numbers of support staff. It also does not provide for increases in employee salaries and contributions to employee benefit costs.

The revenue projections are a function of individual projections of local, State, and Federal revenue sources.

Revenue Projections

Enrollment. The District is using December 2015 enrollment projections. The moderate projection is used for this projection.

Voluntary Transfer Program Revenue. The District receives 70% of the sending district's LCFF base grant amount for voluntary transfer students. COLA adjustments have been applied to this revenue stream. The source of these COLA estimates is School Services of California (SSC).

Property Taxes. This item includes revenue from the secured roll, unsecured roll, and homeowners' exemptions. Absent additional information, this budget model uses a property tax growth rate from the City of Palo Alto which ranges from 5.36% to 5.51% for 2016-17 to 2020-21. These projections will be revisited as additional information is received.

Parcel Tax. Measure A passed in May 2015 for six years with an increase to \$758 per parcel with an annual escalation of 2% per year through 2020-21.

Special Education Revenue. The projected increases are based on COLA adjustments. The source of these COLA estimates is School Services of California (SSC).

Lottery Income. Lottery income has been projected based on enrollment growth projection and estimated changes in the rate. The source of these rate estimates is School Services of California (SSC).

Increases in Lease Income. The leases have an increase of 3% annually. The Garland lease expires on June 30, 2016, and therefore, the rental income for the Garland site has been removed for 2016-17.

Expenditure Projections

Additional Classroom Teachers for Enrollment Growth. Based on “moderate” projections of enrollment growth at the elementary, middle, and high school levels, a calculation has been made of the number of additional teachers required.

Additional Special Education Teachers and Aides. The District needs to plan for the additional special education teachers and aides anticipated as enrollment increases.

Certificated Step/Column and Attrition/Retirement Savings. This estimate has been revised with updated data from Human Resources.

Classified Step/Column and Attrition/Retirement Savings. This estimate has been revised with updated data from Human Resources.

Health Benefit Costs. The health benefit costs are based on the rates effective January 1, 2015, through December 31, 2015. No increase is included in the model after December 2015.

STRS Rate. The employer STRS rate continues to increase by 1.65% per year until it reaches 19.1% by 2020-21. We have included this increase in the projections.

PERS Rate. For 2015-16 the PERS rate has been set at 11.847%. That rate is projected to rise steadily to offset the significant losses to the PERS investment pool and change in long term investment expectations, which will cause a significant increase in PERS payments by employees and the District.

Workers’ Compensation Costs. The District transitioned from being self insured for workers’ compensation to being fully insured beginning on July 1, 2013. The rate for 2015-16 is 2.4635% of overall salary and future budget estimates will be updated when new data is available from our provider.

Routine Maintenance. The transfer to Routine Maintenance is 3.0% for the out-years.

Changes in School Discretionary Budgets. This category has been updated to correspond to the projected enrollment changes. It has been adjusted to reflect the District’s allocation for the startup costs of each new elementary classroom.

Increase in Utilities Expense. It is projected the costs will increase by 5% each year.

Increase in Special Education Non-Public School Tuition and Transportation Costs. It is projected the costs of these line items will increase by 5% each year.

Additional Maintenance Costs. The increase shown each year reflects the increase in the routine maintenance budget as a result of an increase in the overall general fund budget.

Costs for the 13th Elementary School. This projection assumes implementation costs for the thirteenth elementary school will begin in 2018-19. The estimated cost for the planning is about \$210,000 from the general fund. This model assumes the new school will be open in 2019-20, and the estimated ongoing operating cost for this will be about \$1.1 million. This assumption can change pending a board decision this year.

Costs for the Potential Secondary School. This projection does not include the costs of opening a secondary school. The estimated ongoing operating cost is \$2.5 million for a middle school and \$3.6 million for a high school. This assumption can change pending board decision this year.

Unallocated funds shown on line 50. Based on the revenue and enrollment assumptions listed above, unallocated funds are projected in the multi-year projection. Unallocated funds are shown on this line as available for program enhancements and employee compensation.

NEXT STEPS

Following approval of the First Interim report in December, we will provide an update in January's Board meeting based on the Governor's budget.

2015-16 First Interim
General Fund
Summary - Unrestricted/Restricted
Revenues, Expenditures, and Changes in Fund Balance

Description	Resource Codes	Object Codes	Original Budget (A)	Board Approved Operating Budget (B)	Actuals To Date (C)	Projected Year Totals (D)	Difference (Col B & D) (E)	% Diff (E/B) (F)
A. REVENUES								
1) LCFF Sources		8010-8099	154,354,310.00	161,097,256.00	11,276,093.15	162,459,569.00	1,362,313.00	0.8%
2) Federal Revenue		8100-8299	3,391,824.00	3,426,296.00	198,780.38	3,418,756.00	(7,540.00)	-0.2%
3) Other State Revenue		8300-8599	11,970,482.00	12,662,735.00	437,201.97	12,683,091.00	20,356.00	0.2%
4) Other Local Revenue		8600-8799	37,551,429.00	37,769,594.00	11,805,338.56	37,235,085.00	(534,509.00)	-1.4%
5) TOTAL, REVENUES			207,268,045.00	214,955,881.00	23,717,414.06	215,796,501.00		
B. EXPENDITURES								
1) Certificated Salaries		1000-1999	97,664,373.00	97,582,568.00	30,012,139.01	97,334,191.00	248,377.00	0.3%
2) Classified Salaries		2000-2999	32,281,808.00	32,361,139.00	10,022,319.47	32,601,139.00	(240,000.00)	-0.7%
3) Employee Benefits		3000-3999	39,513,291.22	40,006,100.22	12,618,739.94	39,932,065.22	74,035.00	0.2%
4) Books and Supplies		4000-4999	16,856,857.00	22,464,766.00	2,934,041.09	22,961,856.00	(497,090.00)	-2.2%
5) Services and Other Operating Expenditures		5000-5999	18,670,889.00	20,937,945.00	6,216,349.38	21,166,945.00	(229,000.00)	-1.1%
6) Capital Outlay		6000-6999	345,000.00	305,000.00	27,870.07	305,000.00	0.00	0.0%
7) Other Outgo (excluding Transfers of Indirect Costs)		7100-7299 7400-7499	10,500.00	10,500.00	0.00	10,500.00	0.00	0.0%
8) Other Outgo - Transfers of Indirect Costs		7300-7399	(116,837.00)	(116,837.00)	0.00	(116,837.00)	0.00	0.0%
9) TOTAL, EXPENDITURES			205,225,881.22	213,551,181.22	61,831,458.96	214,194,859.22		
C. EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES (A5 - B9)			2,042,163.78	1,404,699.78	(38,114,044.90)	1,601,641.78		
D. OTHER FINANCING SOURCES/USES								
1) Interfund Transfers								
a) Transfers In		8900-8929	101,000.00	101,000.00	0.00	101,000.00	0.00	0.0%
b) Transfers Out		7600-7629	1,505,700.00	1,505,700.00	0.00	1,855,642.00	(349,942.00)	-23.2%
2) Other Sources/Uses								
a) Sources		8930-8979	0.00	0.00	0.00	0.00	0.00	0.0%
b) Uses		7630-7699	0.00	0.00	0.00	0.00	0.00	0.0%
3) Contributions		8980-8999	0.00	0.00	0.00	0.00	0.00	0.0%
4) TOTAL, OTHER FINANCING SOURCES/USES			(1,404,700.00)	(1,404,700.00)	0.00	(1,754,642.00)		

2015-16 First Interim
General Fund
Summary - Unrestricted/Restricted
Revenues, Expenditures, and Changes in Fund Balance

Description	Resource Codes	Object Codes	Original Budget (A)	Board Approved Operating Budget (B)	Actuals To Date (C)	Projected Year Totals (D)	Difference (Col B & D) (E)	% Diff (E/B) (F)
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			637,463.78	(0.22)	(38,114,044.90)	(153,000.22)		
F. FUND BALANCE, RESERVES								
1) Beginning Fund Balance								
a) As of July 1 - Unaudited		9791	29,227,435.57	29,227,435.57		29,227,435.57	0.00	0.0%
b) Audit Adjustments		9793	0.00	0.00		0.00	0.00	0.0%
c) As of July 1 - Audited (F1a + F1b)			29,227,435.57	29,227,435.57		29,227,435.57		
d) Other Restatements		9795	0.00	0.00		0.00	0.00	0.0%
e) Adjusted Beginning Balance (F1c + F1d)			29,227,435.57	29,227,435.57		29,227,435.57		
2) Ending Balance, June 30 (E + F1e)			29,864,899.35	29,227,435.35		29,074,435.35		
Components of Ending Fund Balance								
a) Nonspendable								
Revolving Cash		9711	30,000.00	30,000.00		30,000.00		
Stores		9712	166,529.00	166,529.00		166,529.00		
Prepaid Expenditures		9713	56,655.00	56,655.00		56,655.00		
All Others		9719	0.00	0.00		0.00		
b) Restricted		9740	3,611,932.83	3,606,082.46		3,606,082.46		
c) Committed								
Stabilization Arrangements		9750	0.00	0.00		0.00		
Other Commitments		9760	0.00	0.00		0.00		
d) Assigned								
Other Assignments		9780	18,954,223.52	18,825,384.89		18,679,835.54		
e) Unassigned/Unappropriated								
Reserve for Economic Uncertainties		9789	6,201,947.00	6,201,947.00		6,481,515.00		
Unassigned/Unappropriated Amount		9790	843,612.00	340,837.00		53,818.35		

NOTICE OF CRITERIA AND STANDARDS REVIEW. This interim report was based upon and reviewed using the state-adopted Criteria and Standards. (Pursuant to Education Code (EC) sections 33129 and 42130)

Signed: _____ Date: _____
District Superintendent or Designee

NOTICE OF INTERIM REVIEW. All action shall be taken on this report during a regular or authorized special meeting of the governing board.

To the County Superintendent of Schools:

This interim report and certification of financial condition are hereby filed by the governing board of the school district. (Pursuant to EC Section 42131)

Meeting Date: December 08, 2015 Signed: _____
President of the Governing Board

CERTIFICATION OF FINANCIAL CONDITION

POSITIVE CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

QUALIFIED CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

NEGATIVE CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district will be unable to meet its financial obligations for the remainder of the current fiscal year or for the subsequent fiscal year.

Contact person for additional information on the interim report:

Name: Cathy Mak Telephone: 650.329.3808
Title: CBO E-mail: cmak@pausd.org

Criteria and Standards Review Summary

The following summary is automatically completed based on data provided in the Criteria and Standards Review form (Form 01CSI). Criteria and standards that are "Not Met," and supplemental information and additional fiscal indicators that are "Yes," may indicate areas of potential concern, which could affect the interim report certification, and should be carefully reviewed.

CRITERIA AND STANDARDS			Met	Not Met
1	Average Daily Attendance	Funded ADA for any of the current or two subsequent fiscal years has not changed by more than two percent since budget adoption.	X	

CRITERIA AND STANDARDS (continued)			Met	Not Met
2	Enrollment	Projected enrollment for any of the current or two subsequent fiscal years has not changed by more than two percent since budget adoption.		X
3	ADA to Enrollment	Projected second period (P-2) ADA to enrollment ratio for the current and two subsequent fiscal years is consistent with historical ratios.		X
4	Local Control Funding Formula (LCFF)	Projected LCFF for any of the current or two subsequent fiscal years has not changed by more than two percent since budget adoption.		X
5	Salaries and Benefits	Projected ratio of total unrestricted salaries and benefits to total unrestricted general fund expenditures has not changed by more than the standard for the current and two subsequent fiscal years.		X
6a	Other Revenues	Projected operating revenues (federal, other state, other local) for the current and two subsequent fiscal years have not changed by more than five percent since budget adoption.	X	
6b	Other Expenditures	Projected operating expenditures (books and supplies, services and other expenditures) for the current and two subsequent fiscal years have not changed by more than five percent since budget adoption.		X
7	Ongoing and Major Maintenance Account	If applicable, changes occurring since budget adoption meet the required contribution to the ongoing and major maintenance account (i.e., restricted maintenance account).	X	
8	Deficit Spending	Unrestricted deficit spending, if any, has not exceeded the standard in any of the current or two subsequent fiscal years.	X	
9a	Fund Balance	Projected general fund balance will be positive at the end of the current and two subsequent fiscal years.	X	
9b	Cash Balance	Projected general fund cash balance will be positive at the end of the current fiscal year.	X	
10	Reserves	Available reserves (e.g., reserve for economic uncertainties, unassigned/unappropriated amounts) meet minimum requirements for the current and two subsequent fiscal years.	X	

SUPPLEMENTAL INFORMATION			No	Yes
S1	Contingent Liabilities	Have any known or contingent liabilities (e.g., financial or program audits, litigation, state compliance reviews) occurred since budget adoption that may impact the budget?	X	
S2	Using One-time Revenues to Fund Ongoing Expenditures	Are there ongoing general fund expenditures funded with one-time revenues that have changed since budget adoption by more than five percent?	X	
S3	Temporary Interfund Borrowings	Are there projected temporary borrowings between funds?	X	
S4	Contingent Revenues	Are any projected revenues for any of the current or two subsequent fiscal years contingent on reauthorization by the local government, special legislation, or other definitive act (e.g., parcel taxes, forest reserves)?	X	
S5	Contributions	Have contributions from unrestricted to restricted resources, or transfers to or from the general fund to cover operating deficits, changed since budget adoption by more than \$20,000 and more than 5% for any of the current or two subsequent fiscal years?		X

SUPPLEMENTAL INFORMATION (continued)			No	Yes
S6	Long-term Commitments	Does the district have long-term (multiyear) commitments or debt agreements?		X
		• If yes, have annual payments for the current or two subsequent fiscal years increased over prior year's (2014-15) annual payment?	X	
		• If yes, will funding sources used to pay long-term commitments decrease or expire prior to the end of the commitment period, or are they one-time sources?	X	
S7a	Postemployment Benefits Other than Pensions	Does the district provide postemployment benefits other than pensions (OPEB)?		X
		• If yes, have there been changes since budget adoption in OPEB liabilities?	X	
S7b	Other Self-insurance Benefits	Does the district operate any self-insurance programs (e.g., workers' compensation)?		X
		• If yes, have there been changes since budget adoption in self-insurance liabilities?	X	
S8	Status of Labor Agreements	As of first interim projections, are salary and benefit negotiations still unsettled for:		
		• Certificated? (Section S8A, Line 1b)		X
		• Classified? (Section S8B, Line 1b)		X
S8	Labor Agreement Budget Revisions	For negotiations settled since budget adoption, per Government Code Section 3547.5(c), are budget revisions still needed to meet the costs of the collective bargaining agreement(s) for:		
		• Certificated? (Section S8A, Line 3)	n/a	
		• Classified? (Section S8B, Line 3)	n/a	
S9	Status of Other Funds	Are any funds other than the general fund projected to have a negative fund balance at the end of the current fiscal year?	X	

ADDITIONAL FISCAL INDICATORS			No	Yes
A1	Negative Cash Flow	Do cash flow projections show that the district will end the current fiscal year with a negative cash balance in the general fund?	X	
A2	Independent Position Control	Is personnel position control independent from the payroll system?		X
A3	Declining Enrollment	Is enrollment decreasing in both the prior and current fiscal years?	X	
A4	New Charter Schools Impacting District Enrollment	Are any new charter schools operating in district boundaries that are impacting the district's enrollment, either in the prior or current fiscal year?	X	
A5	Salary Increases Exceed COLA	Has the district entered into a bargaining agreement where any of the current or subsequent fiscal years of the agreement would result in salary increases that are expected to exceed the projected state funded cost-of-living adjustment?	X	
A6	Uncapped Health Benefits	Does the district provide uncapped (100% employer paid) health benefits for current or retired employees?	X	
A7	Independent Financial System	Is the district's financial system independent from the county office system?	X	
A8	Fiscal Distress Reports	Does the district have any reports that indicate fiscal distress? If yes, provide copies to the COE, pursuant to EC 42127.6(a).	X	
A9	Change of CBO or Superintendent	Have there been personnel changes in the superintendent or chief business official (CBO) positions within the last 12 months?	X	

**PALO ALTO UNIFIED SCHOOL DISTRICT
2015-16 FIRST INTERIM BUDGET
CAPITAL FUNDS**

	2015-16 Deferred Maintenance Fund 14-140	2015-16 Property Fund 21-210	2015-16 Building Projects Fund 21-211	2015-16 Strong Schools Bond Fund 21-212&217 *	2015-16 Planned Maintenance Fund 21-216**	2015-16 Capital Facilities Fund 25-250
REVENUES						
Revenue Limit Sources						
Federal Sources						
Other State Sources				3000000		
Other Local Sources	5,289	129,604	15,746	5,611,650	64,875	718,924
Sale of Properties						
Transfers-in From Other Funds	450,000			4,992,341		
All Other Financing Sources				1,583,200		
GO Bonds				378,000,000		
TOTAL OPERATING REVENUE	455,289	129,604	15,746	393,187,191	64,875	718,924
EXPENSES						
Certificated Salaries				2,849,188	80,102	
Classified Salaries				831,360	25,460	
Employee Benefits				9,485,149		
Supplies/Materials			741	61,184,414	100,000	221,287
Contract Services		109,834	9,511	243,442,623	4,533,203	
Capital Outlay	900,000	1,060,943		73,398,250		21,000
Other Expenses and Outgo		77,870		0		
Transfer-out to Other Funds						
TOTAL OPERATING EXPENSE	900,000	1,248,647	10,252	391,190,984	4,738,765	242,287
Revenues over (under) Expenses	-444,711	-1,119,043	5,494	1,996,207	-4,673,890	476,637
Beginning Fund Balance	1,282,222	2,950,914	3,361,089	0	16,090,171	5,120,432
Less Stores Inventory						
Ending Fund Balance (Unrestricted)	837,511	1,831,871	3,366,583	1,996,207	11,416,281	5,597,069

* \$378 M General Obligation Bond Passed by the voters in June 2008

**Funded by \$17.7 M of the \$378M Measure A Strong Schools Bonds passed by the voters in 2008

**PALO ALTO UNIFIED SCHOOL DISTRICT
2015-16 FIRST INTERIM BUDGET
OTHER FUNDS**

	2015-16 Adult School Fund 11-110	2015-16 Child Devel Fund 12-120	2015-16 Cafeteria Fund 13-130	2015-16 Special Reserve Fund 17-170	2015-16 Retiree Benefits Fund 20-200	2015-16 Self Ins. Dental Fund 67-670	2015-16 Workers Comp. Fund 67-671
REVENUES							
Revenue Limit Sources							
Federal Sources	216,825		574,210				
Other State Sources	1,283,035	465,839	39,638				
Other Local Sources	643,711	0	1,900,000	72,000	8,000	1,724,076	0
Transfers-in From Other Funds	29,272			93,335			
TOTAL OPERATING REVENUE	2,172,843	465,839	2,513,848	165,335	8,000	1,724,076	0
EXPENSES							
Certificated Salaries	945,798						
Classified Salaries	467,066		852,809			14,994	0
Employee Benefits	352,148		306,602			4,896	0
Supplies/Materials	163,964		1,215,373				0
Contract Services	116,950	451,864	193,799			1,724,076	0
Capital Outlay			0				
Other Expenses and Outgo	102,862		0				
Transfers-out To Other Funds		13,975			80,000		
TOTAL OPERATING EXPENSE	2,148,788	465,839	2,568,583	0	80,000	1,743,966	0
Revenues over (under) Expenses	24,055	0	-54,735	165,335	(72,000)	-19,890	0
Beginning Fund Balance	1,714,114	0	181,945	14,321,783	2,345,896	775,297	615,099
Less Stores Inventory	(35,834)		(40,318)				
Ending Fund Balance (Unrestricted)	1,702,336	0	86,892	14,487,118	2,273,896	755,407	615,099

**PALO ALTO UNIFIED SCHOOL DISTRICT
2015-16 1ST INTERIM
MULTI-YEAR GENERAL FUND PROJECTION**

Property tax increase 10.99% for 2015-16, and for the out years are 5.36%, 5.40%, 5.41%, 5.46%, 5.51%
Enrollment Growth Used - Moderate projection (119, 149, 93, 25, -9)
Transfers to Routine Maintenance = 3.0% from General Fund

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1 BEGINNING FUND BALANCE	29,227,436	29,074,436	29,264,479	29,521,071	29,781,259	30,003,405
2 Restricted/Reserved/Designated	28,464,590	29,020,618	29,264,480	29,521,071	29,781,259	30,003,405
3 Undesignated	762,846	53,818	(0)	0	(0)	0
4 Proposed Budgeted Revenue	215,056,882					
5 Total Operating Revenue from Prior Year		215,897,501	215,418,762	224,038,358	232,714,899	240,081,714
6 Remove Prop. 30 Revenue - Funding from 2012-13 to 2018-19				(435,966)		
7 Remove Prop. 39 Revenue - Funding from 2013-14 to 2017-18					(2,405,432)	
8 Remove One-Time Educator Support Funds		(1,278,509)				
9 Remove One-Time Discretionary Funds		(6,377,130)				
10 Total Recurring Operating Revenue from Prior year		208,241,862	215,418,762	223,602,392	230,309,467	240,081,714
11 Increase VTP Base Revenue	33,625	43,079	67,842	79,221	69,292	73,797
12 Increase property taxes - see above*	1,024,000	7,534,713	7,997,816	8,445,309	8,984,476	9,561,796
13 Increase parcel taxes (2% annually)	(144,652)	290,492	296,302	302,228	308,272	314,438
14 Increase special ed State income due to State COLA	(61,307)	104,675	164,842	195,496	175,180	179,560
15 Increase lottery income for enrollment growth and rate		19,278	24,138	15,066	4,050	(1,458)
16 Increase lease income (3%)	28,249	211,376	217,718	224,249	230,977	237,906
17 Decrease in State Education Protection Account Funds						
18 Removal of Garland lease income		(877,651)				
19 Regional Occupational Program		(149,062)	(149,062)	(149,062)		
20 Total Projected Revenue	215,897,501	215,418,762	224,038,358	232,714,899	240,081,714	250,447,752
21 Proposed Budgeted Expenditures	207,420,324					
22 Total Operating Expenditures from Prior year		216,050,501	215,228,719	223,781,766	232,454,711	239,859,567
23 Remove Prop. 30 expenditures - Funding from 2012-13 to 2018-19				(435,966)	(1,306,484)	
24 Remove Prop. 39 expenditures - Funding from 2013-14 to 2017-18						
25 Remove One-Time Budget Augmentation (Sp Ed Review + Solar)		(153,000)				
26 Remove One-Time Educator Support Funds		(1,278,509)				
27 Remove One-Time Discretionary Funds		(6,377,130)				
28 Total Recurring Operating Expenditures from Prior Year		208,241,862	215,228,719	223,345,800	231,148,227	239,859,567
29 Additional teachers for growth 5,7,4,1,0 FTE (sal/benefits)		625,380	888,665	515,426	130,789	-
30 Additional special education teachers for enrollment growth 1, 1, 1, 0, 0 FTE (sal/benefits)		125,076	126,952	128,856	-	-
31 Additional special education aides for enrollment growth 1, 1, 0, 0, 0 FTE (sal/benefits)		53,656	54,461	-	-	-
32 Net increase - certificated step/column increases & attrition/retirement savings		1,849,494	1,866,378	1,876,171	1,878,656	1,878,656
33 Net increase - classified step/column increases & attrition/retirement savings		677,654	693,937	709,284	726,307	743,738
34 Estimated increase in Public Employees Retirement System (PERS) rate (0.5% to 2.4%)		776,366	525,341	533,221	575,046	171,668
35 Est. increase in California Teachers Retirement (STRS) rate increase by 1.85% each year, 0.97% 2020-21		1,800,823	1,827,835	1,855,253	1,883,082	1,002,156
36 Additional maintenance costs to meet the 3.0% requirement		248,452	252,135	260,059	222,142	308,394
37 Additional school discretionary budgets		12,495	15,645	9,765	2,625	(945)
38 Increase in utilities expenses (5% for 2016-17 to 2020-21)		160,307	168,322	176,738	185,575	194,854
39 Increase in special education non-public school tuition (5%)		161,650	169,733	178,219	187,130	196,487
40 Cenergistic Energy Contract Ends		(152,400)				
41 Transfer to Basic Aid Reserve Policy	93,335	544,460	547,275	564,331	482,048	669,214
42 Special Education Expenditures	15,323					
43 Transfer to Adult Education	256,607					
44 Student Survey	76,000					
45 Personnel Cost Savings	(337,700)					
46 Budget Augmentation - One-time	153,000					
47 Budget Augmentation - Ongoing	240,000					
48 Planning costs for 13th elementary school				210,000		
49 Operating costs for 13th elementary school					1,100,711	
50 Unallocated Funds: Available for Employee Compensation and Program Enhancements	8,133,612	103,445	1,416,368	2,091,587	1,337,229	5,115,570
51 Total Projected Expenditures	216,050,501	215,228,719	223,781,766	232,454,711	239,859,567	250,139,359
52 Excess of Revenues over Expenses (Unrestricted)	(153,000)	190,043	256,592	260,188	222,146	308,393
53 ENDING FUND BALANCE	29,074,436	29,264,479	29,521,071	29,781,259	30,003,405	30,311,799
54 Restricted/Reserved/Designated *	29,020,618	29,264,480	29,521,071	29,781,259	30,003,405	30,311,799
55 Undesignated	53,818	(0)	0	(0)	0	0