

SRVUSD PARCEL TAX OVERSIGHT COMMITTEE

2011 – 2012 Fiscal Year Annual Report

Presented by: Jennifer Ottley & Dan Parnas

January 29, 2013

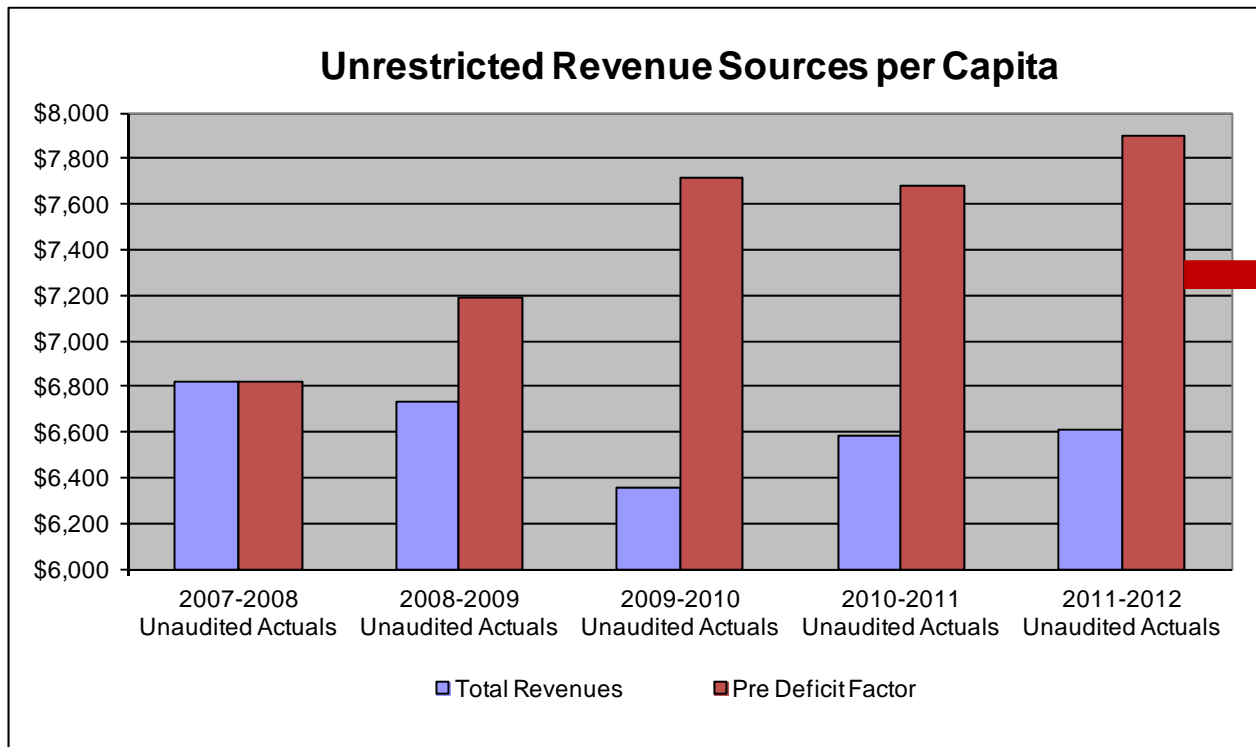
Parcel Tax Oversight Committee (PTOC) Members

- Daniela Ballif
- Jill Birnbaum
- Peter Hoefs
- Linda McColgan
- Alicia Moore
- Jennifer Ottley
- Dan Parnas
- Shannon Mundelius
- **Christine Williams
- **Gary Black
- Mark Jewett – SRVUSD Board Member Liaison

**SRVUSD staff assisting PTOC

In May 2009 SRVUSD voters approved a \$144 per year parcel tax

- The parcel tax revenue is a “bridge” to supplement the SRVUSD budget because of deficient state funding
- The parcel tax generated \$6,708,889 for 2011-2012 fiscal year
- The 7 year parcel tax expires in 2015 – 2016 fiscal year



Overall 5 year cumulative deficit factor results in aggregate \$4,031 per student reduction in unrestricted revenue owed by State, or a reduction of \$120M

The responsibilities of the PTOC

- Provide oversight for the SRVUSD School Board on the expenditures funded by the parcel tax in order to ensure that the funds are spent for the purposes approved by the voters
- PTOC will monitor the expenditures of the parcel tax by the District and will report on an annual basis to the Board and Community on how the parcel tax funds have been spent

Source: SRVUSD Resolution 02/09-10

Measure C communication to the voting community emphasized use of parcel tax dollars

- Parcel Tax Funds Will:
 - Retain qualified and experienced teachers
 - Prepare students for college and careers in the global economy
 - Maintain strong math, science and literacy programs

- Parcel Tax Funds Will Not:
 - Pay for administrator's salaries

Source: Revised FAQ for website – SRVUSD Website

SRVUSD API scores continue to remain strong

- 2011 – 2012 = 927
- 2010 – 2011 = 922
- 2009 – 2010 = 916
- 2008 – 2009 = 914
- 2007 – 2008 = 904

Source: California Department of Education, "Accountability Progress Reporting"

PTOC has presented annual parcel tax fund expenditures analysis to SRVUSD Board in January 2011 and January 2012

- The PTOC was confident that the parcel tax funds were spent within the purpose of the parcel tax measure for both fiscal years ending June 30, 2010 & 2011

How can the PTOC track the parcel tax funds from the General Fund while allowing the SRVUSD to maintain spending discretion within the purpose of the parcel tax measure?

- Since all parcel tax revenues are recorded in the general fund, the PTOC could not specifically identify parcel tax-related expenditures
- The PTOC used this as an opportunity to conduct a high-level review of the entire district wide use of unrestricted funds to gain confidence that all unrestricted funds (including the parcel tax) were used in a prudent manner

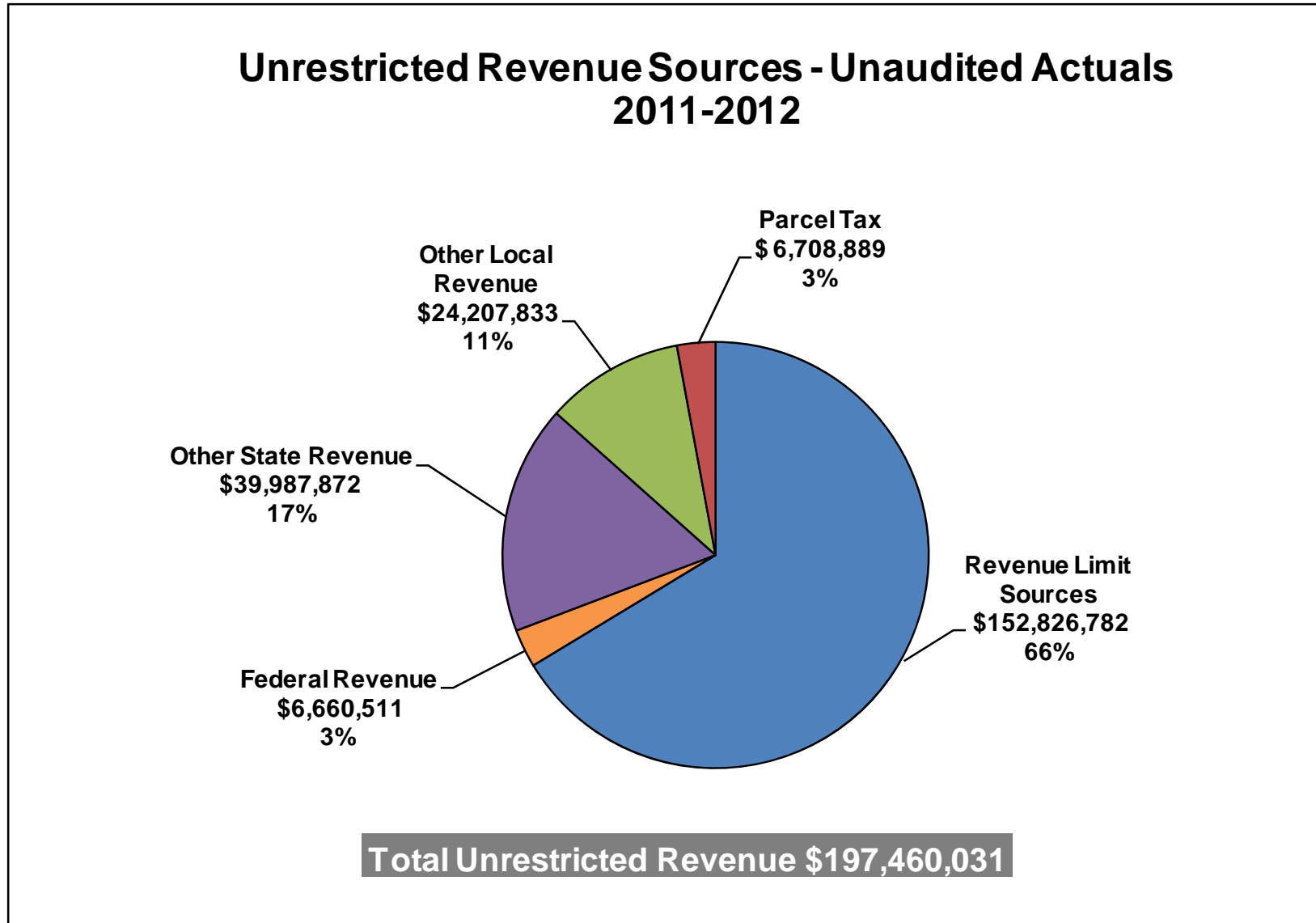
For the fiscal year ended June 30, 2012, the PTOC continued to analyze expenditure trends and variances as the basis of its quantitative analysis

- The committee analyzed expenditure trend variances to overall unrestricted revenue per student trends over the 5 year period ending June 30, 2012 (our "Base Line")
- The committee has also expanded the methodology to include evaluation of material changes in expenditures per student Year over Year (YOY) to ensure reasonable explanation

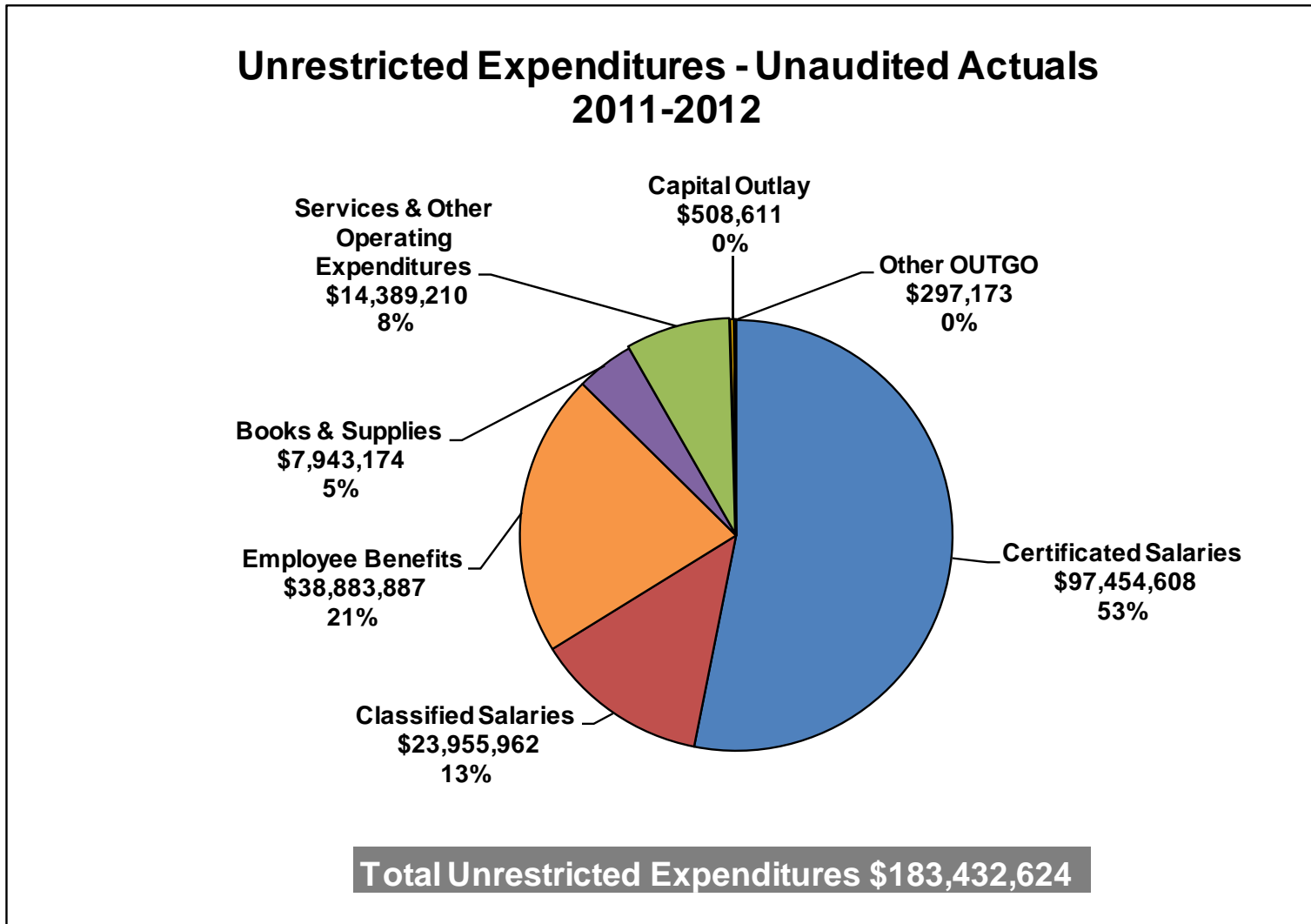
Major expenditure categories analyzed

	UNAUDITED ACTUALS - UNRESTRICTED				
	2011-2012	2010 – 2011	2009 – 2010	2008 – 2009	2007 - 2008
Certificated Salaries	\$97,454,608	\$87,412,540	\$90,149,232	\$92,147,201	\$88,945,774
Classified Salaries	23,955,962	22,867,394	21,884,707	21,766,799	21,157,484
Employee Benefits	38,883,887	34,249,395	33,156,942	30,893,939	31,112,218
Books & Supplies	7,943,174	7,222,009	6,707,151	4,306,084	5,052,457
Services & Other Operating Exp	14,389,210	14,721,366	14,964,746	14,039,283	13,340,708
Capital Outlay	508,611	73,700	86,142	332,507	400,269
Other OUTGO	297,173	255,806	(462,885)	(872,605)	(913,258)
TOTAL EXPENDITURES	\$183,432,624	\$166,802,210	\$166,486,035	\$162,613,208	\$159,095,652

Parcel Tax revenue represents only 3% of total unrestricted revenue fund sources

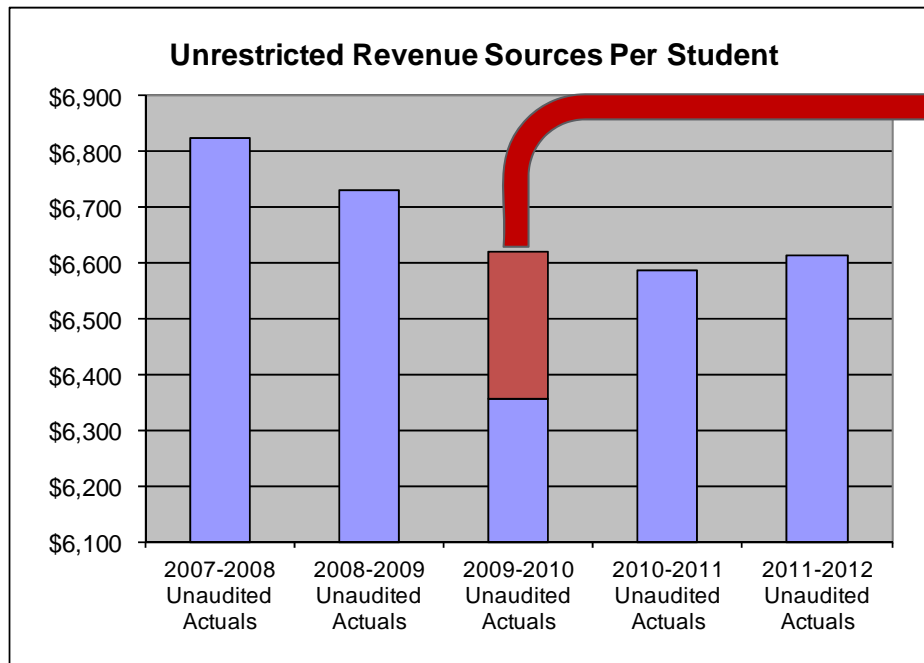


Salaries and Benefits represent 87% of total unrestricted expenditures

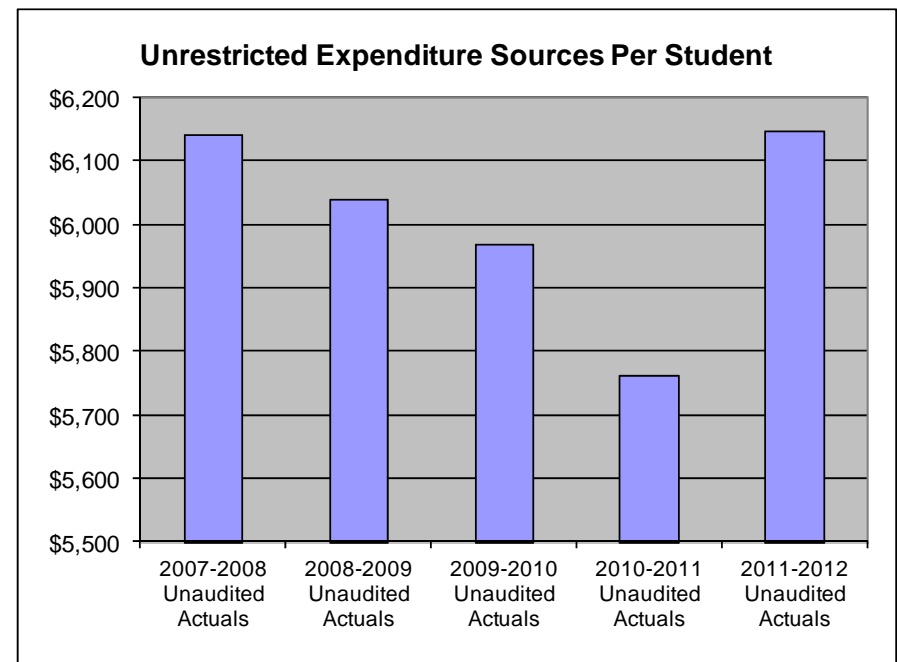


Unrestricted revenues per student on downward trend of 3.1% over 5 year period but unrestricted expenditures up 7% YoY

- 7% increase YoY in unrestricted expenditures per student in 2011-12 primarily due to (i) 8% increase in certificated salaries, (ii) 2% increase in classified salaries and (iii) 10% increase in benefits
- Unrestricted revenues \$600k PG&E rebate for solar and \$1.2 increase in site donations accounts for slight uptick in 2011-12 YoY unrestricted revenues per student

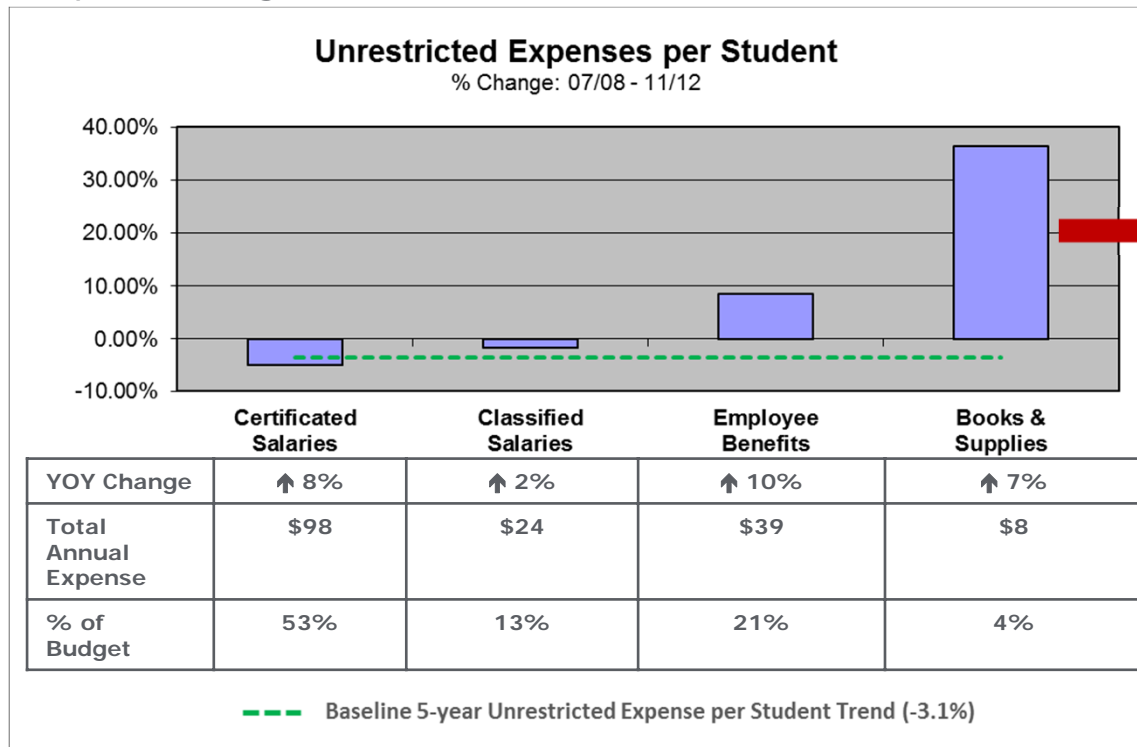


One time revenue limit take back in 2009-2010 of \$7.3MM



Total YoY increase generated by Certificated Salaries, Classified Salaries, Benefits, and Books & Supplies

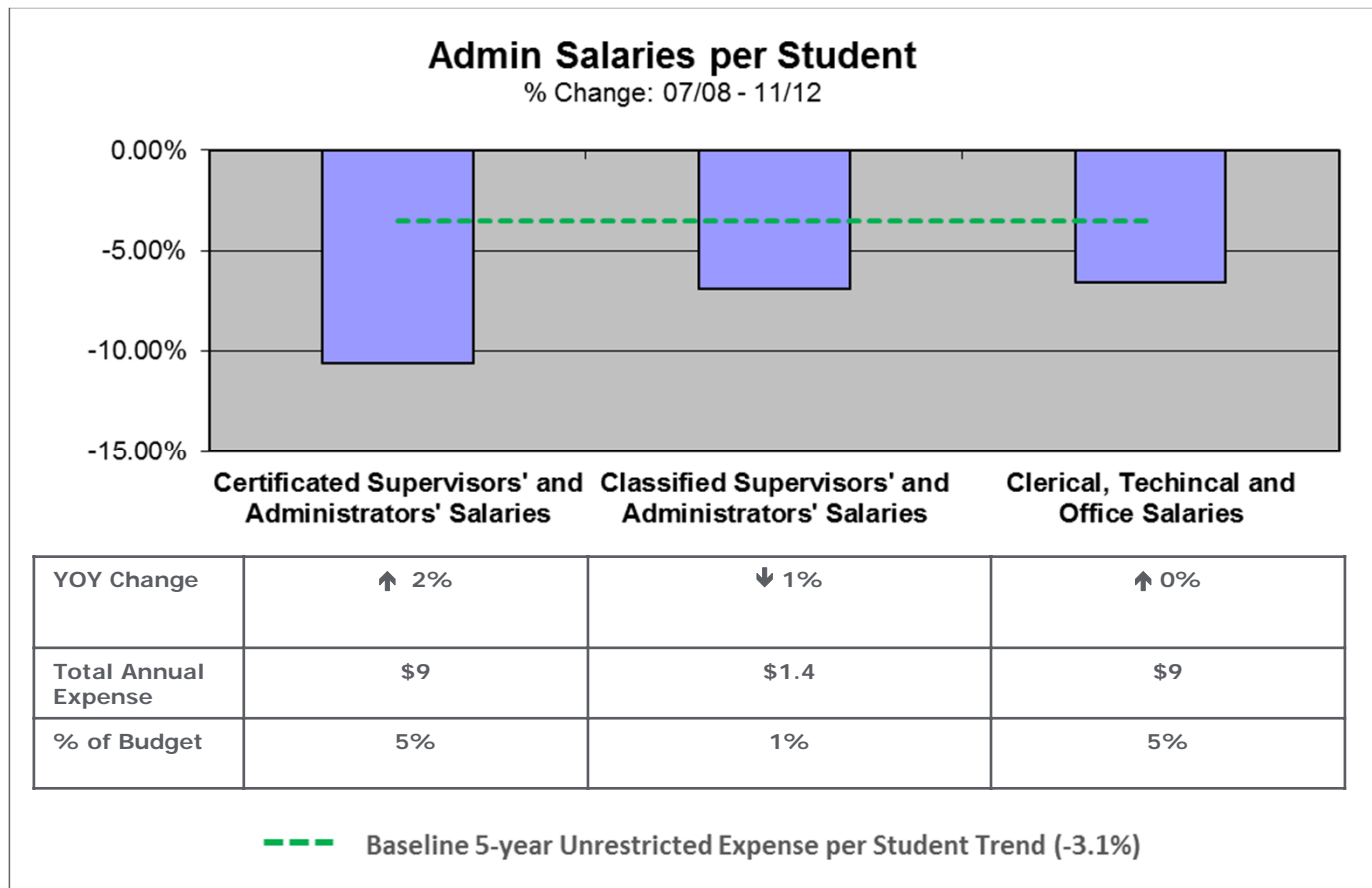
- **Certificated Salary Increase net 8%:**
 - Step & Column increase for 2011-12
 - 2 furlough days taken in 2010-11 not repeated in 2011-12
 - One time payment in 2011-12
 - Reclass funds from Restricted Programs (2010-11) to Unrestricted (SFSF and Federal Jobs Bill) (2011-12) - increases unrestricted expense and reduces restricted expense YoY
- **Classified Salary Increase net 2%** for step increase for 2011-12
- **Benefits Increase net 10%:**
 - Changes in tax rates and larger salary base
 - 5% H&W premium growth



895 net new students at \$250 per student spend rate and overall inflation rate

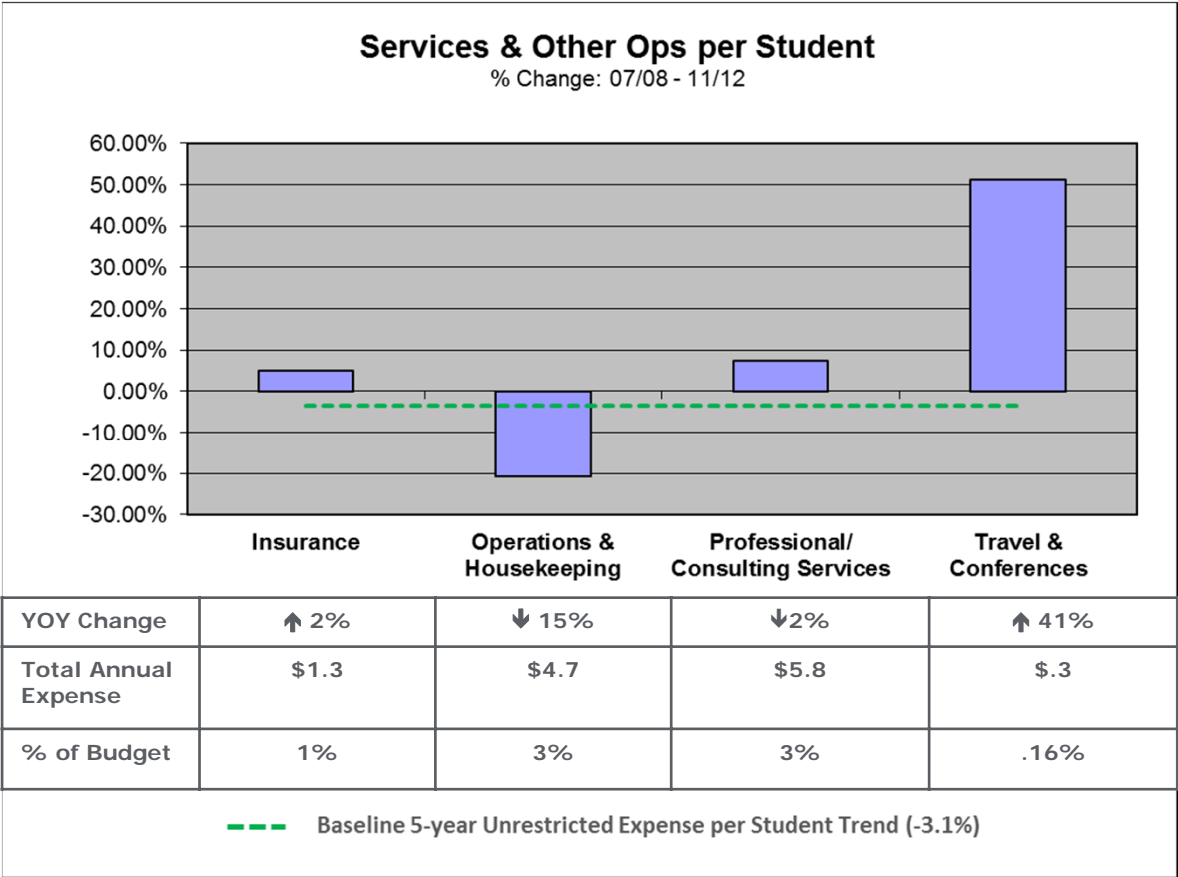
Administrative salaries decreased in line with expectations

- All categories of administrative salaries per student trending below Base Line
- YoY growth related primarily to Step & Column effects
- Certificated Classroom and Support FTE up 50 YoY
- Certificated and Classified Admin FTE down 1 YoY



Insurance increased slightly YoY while Operations & Housekeeping Services decreased YoY and Professional & Consulting decreased in line with expectations

- **Insurance:** Facilities additions increasing premiums
- **Ops and Housekeeping:** Solar cost savings \$.837M
- **Professional & Consulting:** Down YoY in line with revenue declines
- **Travel & Conferences:** Increase from site donations related to technology initiatives and additional training for GATE programs



PTOC'S Summary for fiscal year ending June 30, 2012

- Revenue effects over last 5 years...
 - Total Cumulative state funding shortfall to SRVUSD (unrestricted) of \$120 Million (20%)
 - The aggregate per student reduction in unrestricted fund revenues was only 3.1%
 - Other one-time fund sources, solar rebates and the parcel tax
- Unrestricted expenditures were flat over last 5 years
 - 7% overall YOY increase from 2010-2011 to 2011-2012
 - 8% increase (YoY) for certificated salaries
 - 2% increase (YoY) for classified salaries
 - 10% increase (YoY) for H & W benefits
- Supervisor and Administrative Salaries for both Certificated and Classified employees trended downward consistent with the baseline
 - This is consistent with the Measure C campaign commitment - no funds to be spent on administrator's salaries

Conclusion

- The PTOC is confident that the parcel tax funds are being spent within the purpose of the parcel tax measure.

Appendix

Evidence of the Correlation between Great Schools and Property Values

- Of all the local neighborhood amenities that can influence a buyer's decision to purchase a home, proximity to good quality schools is one of the most influential. According to the 2010 National Association of REALTORS® Profile of Home Buyers and Sellers, 25% of home buyers listed school quality and 19% listed proximity to schools as deciding factors in their home purchase. This Field Guide includes articles and studies on the importance of schools for home buyers and how schools impact local property values, along with a sampling of Web sites that provide data on school districts.
- " A \$1.00 increase in per pupil state aid increases aggregate per pupil housing values by about \$20.00, indicating that potential residents value education expenditure." National Bureau of Economic Research - Working Paper No. 9054
- It's supposed to be a buyer's market. Yet, for parents determined to buy in areas associated with top schools, those bargains may be harder to come by. When housing markets go south, "areas with exceptional schools tend to hold their value better than the market overall. Areas with good schools tend to be more affluent and were less susceptible to the sub-prime mortgage debacle so saw fewer foreclosures. What's more, homes associated with great schools generally sell faster, in good markets and bad." says Michael Sklarz, president of Collateral Analytics from the WSJ
- From the "Federal Reserve Bank of St. Louis Review, May/June 2010" is an article titled Nonlinear Effects of School Quality on House Prices: "Unlike most studies in the literature, we find that the price premium parents must pay to buy a house in an area associated with a better school increases as school quality increases. This is true even after controlling for neighborhood characteristics, such as the racial composition of neighborhoods, which is also capitalized into house prices. In contrast to previous studies that use the boundary discontinuity approach, we find that the price premium from school quality remains substantially large, particularly for neighborhoods associated with high-quality schools."
- In some areas, the difference in home values is even greater, said William Bainbridge, president and CEO of SchoolMatch.com and HouseAppreciation.com, which track school performance and property values for 15,530 different high school attendance zones. CNN/Money asked Bainbridge for housing and school data in three randomly chosen metropolitan markets: Chicago, Denver and Pittsburgh. Within each market, Bainbridge found five school zones with relatively high housing appreciation and five school zones with relatively low appreciation. After those areas were identified, he looked up each school's performance, which he rates on a scale of 0 to 99 using college entrance exams and the percentage of students taking those exams. What we found was a clear correlation between school performance and housing appreciation. In fact, in the 15 zones with relatively high appreciation, the schools had an average rating of 90. In the 15 zones with relatively low appreciation, the schools had an average rating of just 32.

Evidence of the Correlation between Great Schools and Property Values

- A study published in 2006 and co-authored by Donald Haurin from the Ohio State University, concluded that student proficiency scores impact home values. They studied 77,576 house-buying transactions covering 310 different school districts in Ohio. The study showed that an increase of about 20 percentage points on the proficiency test (pass rate) resulted in increased house values in the school district of approximately 7 percent. Many people shopping for a home seem more interested in the end result of education and look primarily at overall test scores.
- UCLA economist Sandra E. Black calculated that parents are willing to pay 2.5 percent more for housing for every 5-percent increase in test scores among students in that school district. This, of course, increases the overall value of homes in the community. Moving from the bottom 5 percent of school districts to the top 5 percent is associated with an 18-to-25-percentage-point difference in value for identical homes.
- In Irvine, California – an area with great schools – home prices since 2006 have declined about 18 percent, whereas home prices in surrounding areas with lower performing schools have declined 33 percent. In highly rated Andover, Massachusetts, home prices are down 4 percent, versus a decline of 16 percent for the greater Boston market.
- “Of all the local neighborhood amenities that can influence a buyer's decision to purchase a home, proximity to good quality schools is one of the most influential.” National Association of Realtors
- “Many studies have confirmed the magnitude of public school quality's contribution to house prices....Proficiency tests, expenditure per pupil and pupil/teacher ratio are consistently capitalized into housing prices.” Which Measures of School Quality Does the Housing Market Value? David Brasington, Journal of Real Estate Research

Deficit Factor Analysis

Unaudited Actuals Year	Post Deficit Unrestricted	Pre Deficit Unrestricted
2007 – 2008	\$143,195,240	\$143,195,240
2008 - 2009	\$145,797,372	\$158,185,003
2009 - 2010	\$132,824,641	\$170,737,469
2010 - 2011	\$145,537,221	\$177,216,754
2011 - 2012	\$150,056,697	\$188,417,477
TOTAL	\$717,411,171	\$837,751,943
DIFFERENCE	\$120,340,772	
PER STUDENT DEFICIT (FROM 2008 – 2012)	\$4,031	

Services & Other Operating Expenditures

Services & Other Operating Expenditures	UNAUDITED ACTUALS - UNRESTRICTED				
	2011-2012	2010 – 2011	2009 – 2010	2008 – 2009	2007 - 2008
Subagreements for Services	\$11,808	\$ -	\$ -	\$126,985	\$ -
Travel & Conferences	286,872	198,040	157,510	118,966	164,733
Dues & Memberships	19,468	32,713	14,359	22,401	37,248
Insurance	1,298,713	1,233,241	1,726,165	1,028,506	1,073,741
Operations & Housekeeping Services	4,652,910	5,307,142	5,256,293	5,343,356	5,087,978
Rentals, Leases, Repairs & Non Capitalized Improvements	1,742,039	1,644,095	1,706,098	1,732,710	1,792,941
Transfers of Direct Costs - Interfund	40,421	101,683	136,703	138,493	140,148
Professional / Consulting Services	5,807,698	5,771,511	5,542,948	5,295,051	4,697,056
Communications	529,281	432,940	424,670	232,814	346,863
TOTAL SERVICES AND OTHER OPERATING EXPENDITURES	\$14,389,210	\$14,721,365	\$14,964,746	\$14,039,282	\$13,340,708