

Millbrae School District

1st Interim Report - Fiscal Year 2018/19

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 Amy Liu, Accounting Technician
 Angela Smith, Admin Asst to CBO

Outcomes

- Disclosure and Background on Certifications for Interim Reports
- 1st Interim Reporting
- Multi-Year Projection (MYP)
- Impact of Measure N
- Next Steps and Guidance
- Board Action on Certification

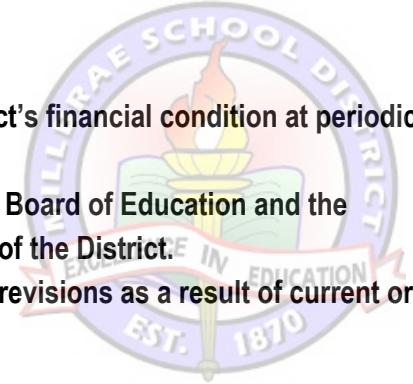


Disclosure

Education Code 42300 requires California school districts to report its financial data twice a year. This report is referred to as the “Interim Report.” The First Interim Report shall reflect changes to the board approved budget from July 1, 2018 through October 31, 2018.

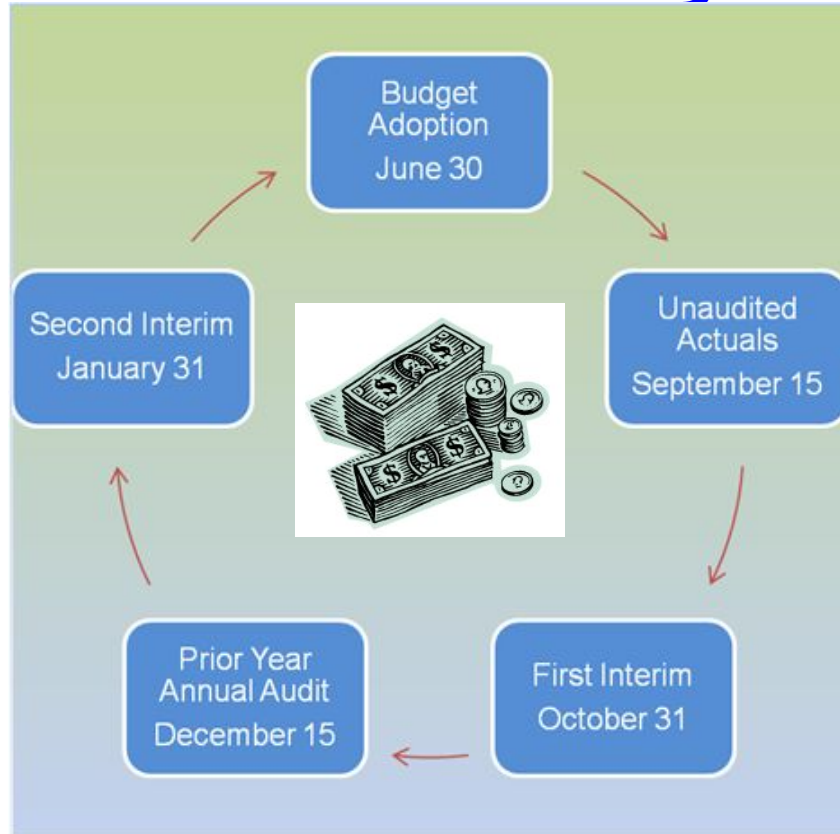
The objectives of reports are:

- To provide a review of the District’s financial condition at periodic intervals during the fiscal year.
- To provide a status report to the Board of Education and the public of the financial condition of the District.
- To determine necessary budget revisions as a result of current or projected financial information.



In addition to the Interim Reports, the District submits a Multiple Year Projection (MYP) report. These report examines the District’s enrollment, spending pattern, ending fund balance, and reserve for economic uncertainties for the current fiscal year (*FY 2018/2019*) and the two (2) subsequent years (*FY 2019/2020 & FY 2020/2021*).

Financial Reporting Period



The Budget process occurs all year long with constant review and analysis of financial data and **assumptions**.

Interim Reports help ensure solvency during the course of the year. Inevitably the estimates used to create the original budget will change as the year progresses.

There are too many unknowns at the time of budget adoption -Interim Reports allow for adjustments.

Even the most carefully prepared budget is just a snapshot in time. Districts are required to certify their financial condition twice during the school year.

There are three financial certification that a district issue:

- Positive** – The district will meet its financial obligations
- Qualified** – The district may not be able to meet its obligations
- Negative** – The district will not be able to meet its obligations

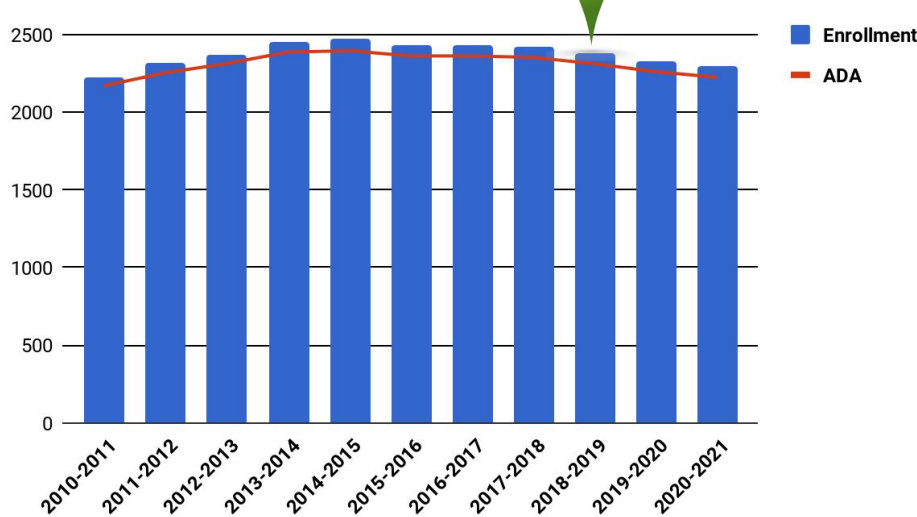
Enrollment vs. Average Daily Attendance (ADA)

December 13, 2018

Focus on Students

- The budget process begins with a careful projection of the number of students who will enroll in the district.
- Enrollment drives costs
 - Short - term - staffing and support services/programs
 - Long - term: facilities and operations

Enrollment and ADA



Enrollment is based on the California Basic Education Data System (CBEDS) reported at the end of the first school month (October) and represents the number of students actually enrolled in the district - Average Daily Attendance (ADA) is the measurement of attendance, or seat time.

ADA is measured at three points in the year:

- P1 - Daily Attendance counts first 4 months (Sept-Dec)
- P2 - Daily Attendance counts first 8 months (Sept-Apr)
- Annual - Daily Attendance counts for fiscal year

Demographic Reports - Continued slight decrease in current & following years, but then upward trend thereafter. As we reach classroom capacity - accommodating long-term growth becomes a concern in term of available facilities.

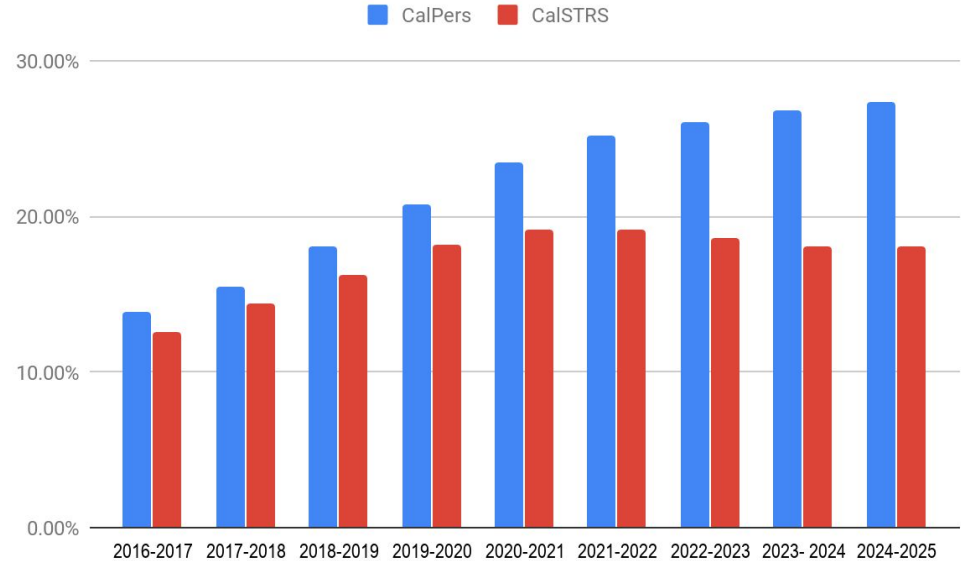
CalPERS & CalSTRS

December 13, 2018

CalPERS Funding Levels and [Risks Report](#) given to the board released November 18, 2018 ***“The greatest risk to the system continues to be the ability of employers to make their required contributions,” and “there is evidence some public agencies are “under significant strain” absorbing the required increases”.***

1st Interim Report FY 2018-19

CalSTRS actuarial firm stated the expected ***“increase [in] unfunded liability will likely result in the need for higher contributions in the future.”***



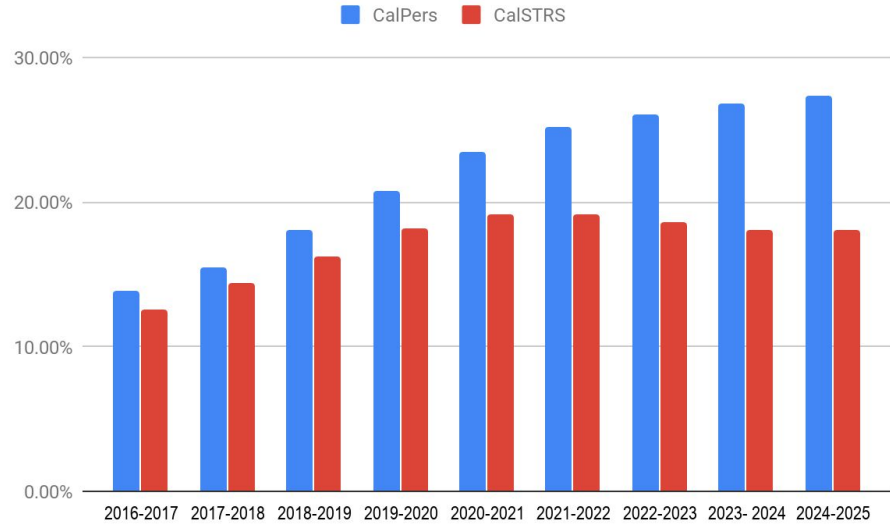
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Question: What is the impact to Millbrae School District?
2018/2019 - 2020/21 MYP

Cost Increase per year

2018/19	\$310,810		
2019/20	\$322,812	=	\$849,257
2020/21	\$215,635		

1st Interim - Fiscal Year 2018/19



How We Get Our Money

December 13, 2018

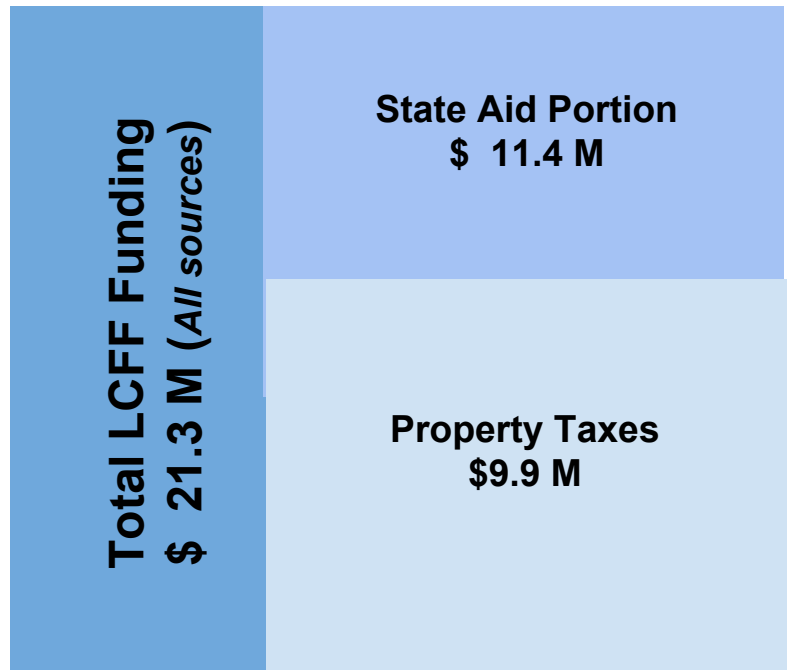
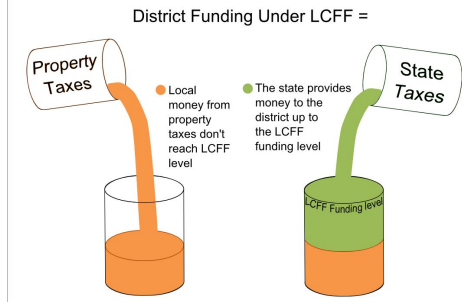
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When it comes to money, Millbrae School District is considered an Locally Controlled Funding Formula District

The money comes from the State (LCFF)

- Income and sales taxes
- Local property taxes
- Miscellaneous local income, fees, interest, donations
- California State Lottery
 - Each new student brings more funding to a district.
 - Declining enrollment districts lose funding.
 - Changes in local property tax is offset by state aid funds

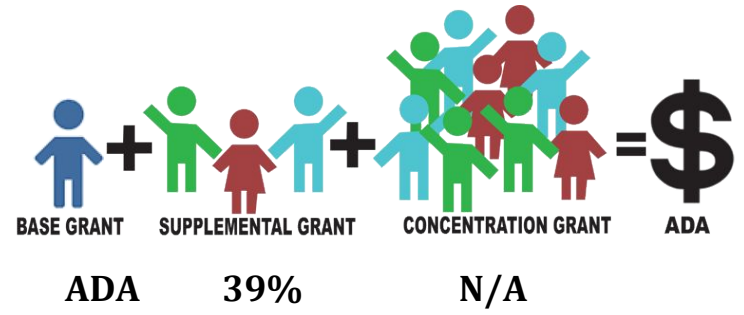
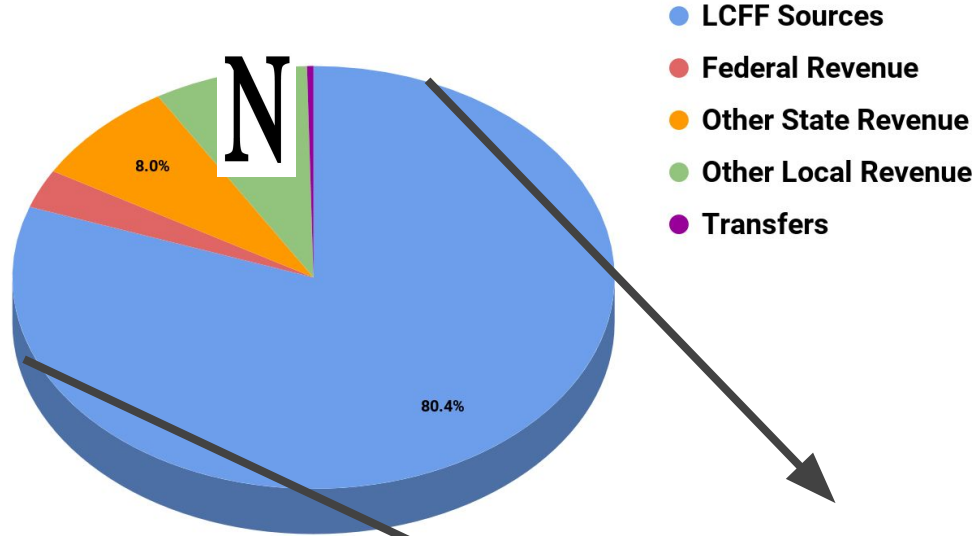
Some of our revenue is restricted and can only be spent in certain ways.



How We Get Our Money

December 13, 2018

1st Interim Report FY 2018-19



Revenues:

	<u>Budget</u>	<u>1st Interim</u>
<i>Unrestricted</i>	\$25,245,093	\$26,445,466
<i>Restricted</i>	\$21,767,836	\$21,659,924
	\$3,477,257	\$4,785,542

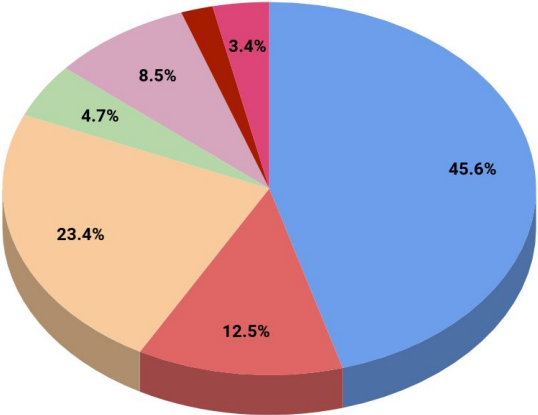
How We Spend

December 13, 2018

The KEY to our success are the people who work here. Millbrae School District values its employees.

Typically between 82% of every General Fund dollar is used for salary and benefits.

- Certificated Salaries
- Classified Salaries
- Benefits
- BooksSupplies
- Services
- Capital Outlay
- Other



1st Interim Report FY 2018-19

Cert Admin, Mgmt/Confidential, MEA and CSEA



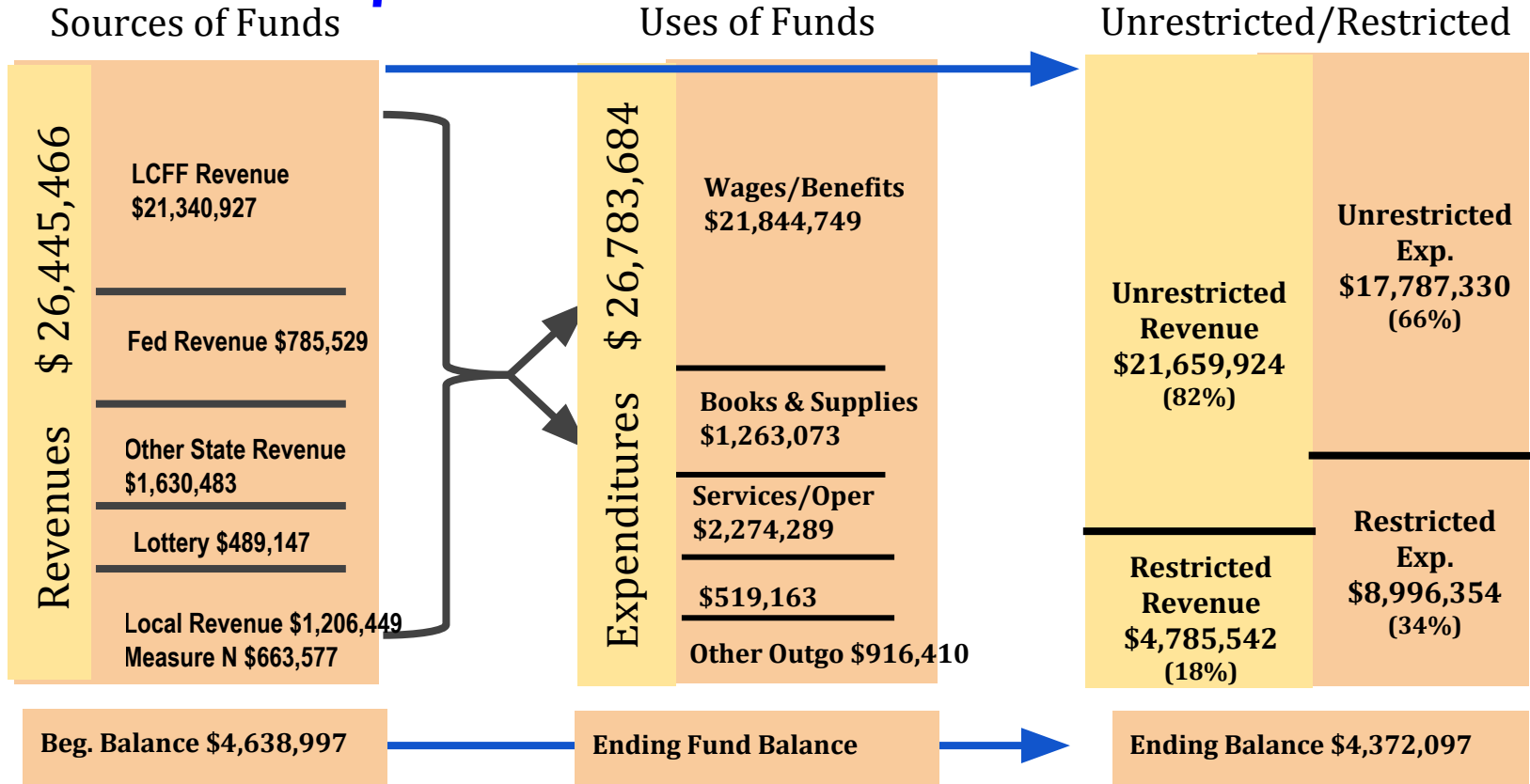
Expenditures:

	Budget	1st Interim
Wages/Benefits	\$25,245,093	\$26,445,466
<i>Books/Supplies</i>	<i>\$ 485,179</i>	<i>\$ 1,263,073</i>
<i>Services/Ops</i>	<i>\$ 2,488,495</i>	<i>\$ 2,274,289</i>
<i>Capital Outlay</i>	<i>\$ 0</i>	<i>\$ 519,163</i>
<i>Other</i>	<i>\$ 731,258</i>	<i>\$ 916,410</i>
<i>Transfers</i>	<i>\$ 34,000</i>	<i>\$ 34,000</i>

How the Money Flows

December 13, 2018

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Ending Fund Balance

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Projected 2018/19 Ending Fund Balance	\$4,372,097
Revolving Cash	\$2,500
Insurance/Supplement	\$79,219
Committed	\$48,197
1-Time (Curriculum & Tech. 18/19 Funds)	\$435,022
Assigned - 19/20 DEFICIT	\$427,010
Assigned - 20/21 DEFICIT	\$681,433
Designation for Econ. Uncert. 0.5% of Exp (B. Policy)	\$134,018
3% Required Reserve	\$804,112
Unassigned EFB	\$1,760,586

Remember: EFB is not the cash balance !!!!!

<i>"Notes behind the numbers"</i>
Revolving Cash
Ins Deductible \$20,000: Supplemental Expenses \$59,219
Board Resolution on Facility debt paydown
This Fiscal Year 1-time funding \$184 per ADA
Projected deficit for Fiscal Year 2019-20
Projected deficit for Fiscal Year 2020-21
Board Policy: 17% Reserves - 0.5% of Expenditures
Required: (Note: approx. 2 weeks of payroll)
Unappropriated - Needed if 2021-2022 if Budget Adjustments not completed

Multi-Year Projections

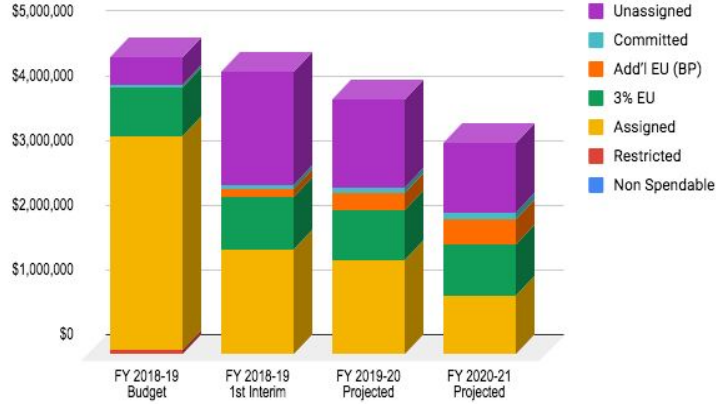


MYP	Current Year	Projected	Projected
	2018/19	2019/20	2020/21
LCFF	\$21,340,927	\$21,421,156	\$21,438,522
Federal	\$785,529	\$671,969	\$671,969
Other State	\$2,119,630	\$1,675,880	\$1,668,025
Local Revenue	\$2,199,380	\$1,633,712	\$1,648,325
Transfers	\$91,318	\$86,298	\$80,995
Total Revenues	\$26,536,784	\$25,489,015	\$25,507,836
Certificated Salaries	\$12,218,990	\$12,268,311	\$12,364,749
Classified Salaries	\$3,348,810	\$3,500,675	\$3,544,345
Employee Benefits	\$6,276,949	\$6,757,718	\$7,039,654
Books and Supplies	\$1,263,073	\$506,482	\$506,218
Services and Operating	\$2,274,289	\$1,955,948	\$1,988,958
Capital Outlay	\$519,163	\$0	\$0
Other Outgo	\$916,410	\$940,891	\$759,345
Transfers Out	-\$14,000	-\$14,000	-\$14,000
Total Expenditures	\$26,803,684	\$25,916,025	\$26,189,269
Increase/Decrease in Fund Balance	-\$266,900	-\$427,010	-\$681,433

Factors	FY 2018-19	FY 2019-20	FY 2020-21
Instructional Days	180	180	180
Professional Growth	2 Days Inside Calendar	2 Days Inside Calendar	2 Days Inside Calendar
LCFF Funding	100%	100%	100%
COLA - <u>LCFF only</u>	3.70%	2.57%	2.67%
COLA - Non LCFF	2.71%	2.57%	2.67%
Enrollment	2,381	2,328	2,292
ADA (97%)	2,312.78	2,261.37	2,225.38
Unduplicated	39%	38%	38%
1-Time/ADA	\$184.00	\$0.00	\$0.00
Lottery-U ADA	\$151.00	\$151.00	\$151.00
Lottery-R ADA	\$53.00	\$53.00	\$53.00
STRS	16.28%	18.13%	19.10%
PERS	18.062%	20.80%	23.50%

MYP - Multi Year Plan

General Fund Unrestricted/Restricted



Planning for our future

		FY 2018-19 Budget	FY 2018-19 1st Interim	FY 2019-20 Projected	FY 2020-21 Projected
Non Spendable		\$2,500	\$2,500	\$2,500	\$2,500
Restricted		\$72,441	\$0	\$0	\$0
Assigned		\$3,287,814	\$1,622,684	\$1,454,834	\$907,080
3% EU		\$761,376	\$804,112	\$777,481	\$785,678
Add'l EU (BP)		\$0	\$134,018	\$263,598	\$394,544
Committed		\$48,197	\$48,197	\$74,495	\$95,490
Unassigned		\$423,887	\$1,760,586	\$1,372,179	\$1,078,362
Ending Fund Balance		\$4,596,215	\$4,372,097	\$3,945,087	\$3,263,654

Budget adjustments ARE necessary to maintain fiscal solvency!!

Impact of Measure N



Impact of Measure N

		With				With Out				
		FY 2018-19 1st Interim		FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2018-19 1st Interim	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected
Net Rev Less Exp.		-\$266,900		-\$427,010	-\$681,433	-\$700,000	-\$930,477	-\$1,052,010	-\$1,306,433	-\$1,325,000
Beginning Fund Balance		\$4,638,997		\$4,372,097	\$3,945,087	\$3,263,654	\$4,638,997	\$3,708,520	\$2,656,510	\$1,350,077
Non Spendable		\$2,500		\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Restricted		\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0
Assigned		\$1,622,684		\$1,454,834	\$907,080	\$435,000	\$1,622,684	\$1,454,834	\$907,080	\$435,000
3% EU		\$804,112		\$777,481	\$785,678	\$800,000	\$804,112	\$777,481	\$785,678	\$800,000
Add'l EU (BP)		\$134,018		\$263,598	\$394,544	\$524,544	\$134,018	\$263,598	\$394,544	\$524,544
Committed		\$48,197		\$74,495	\$95,490	\$115,000	\$48,197	\$74,495	\$95,490	\$115,000
Unassigned		\$1,760,586		\$1,372,179	\$1,078,362	\$686,610	\$1,097,009	\$83,602	-\$835,215	-\$1,851,967
Ending Fund Balance		\$4,372,097		\$3,945,087	\$3,263,654	\$2,563,654	\$3,708,520	\$2,656,510	\$1,350,077	\$25,077

Summary - Restricted Funds



Fund Descriptions and Ending Fund Balances (Projected)

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Fund 13	<u>Budget</u>	<u>1st Interim</u>	Cafeteria Fund (<i>Child Nutrition Fund</i>)
Ending Fund Balance	\$145,060	\$134,085	<i>Restricted</i>
Fund 19			Foundation Special Revenue Fund (<i>Special Donations</i>)
Ending Fund Balance	\$ 51,184	\$ 51,184	<i>Restricted</i>
Fund 20			Special Reserve for Other Post-Employment Benefits (<i>OPEB</i>)
Ending Fund Balance	\$2,010,814	\$2,010,177	<i>Restricted</i>
Fund 25			Capital Facility Fund
Ending Fund Balance	\$1,273,814	\$1,254,815	<i>Assigned</i>
Fund 40			Special Reserve Fund (<i>Proceeds from sale of 1 Alp Way-Capital Projects</i>)
Ending Fund Balance	\$12,536,787	\$12,188,367	<i>Assigned/Restricted</i>
Fund 51- County			Bond Interest & Redemption Fund (<i>Measures X & N</i>)

Next Steps & Guidance



Guidance from San Mateo County Office of Education

December 13, 2018

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- SMCOE is **concerned** about the **growing deficit** in the Unrestricted General Fund. The district needs to monitor and identify measures to **address deficit spending** and maintain its fiscal health.
- In the projection years, funding growth is expected to be limited as LCFF is now fully funding, and **new revenue will only be COLA**.
- It is critical the district makes effective use of one-time funding: Support ongoing expenditures with on-going revenues (**one-time funds for one-time use**)
- District employer contributions to **retirement benefits** are scheduled to rise (PERS/STRS) for the next years. Additionally, consider increases to rising health care costs and the ongoing statutory costs
- Exercise **caution and maintain flexibility** in the collective bargaining process and any ongoing commitments in future years.
- Maintain reserves **much greater than the minimum requirement** (3%).

The 2nd Interim Report will be presented to the Board in March of 2018

Budget and LCAP approval letter dated September 14, 2018

The multi-year projections show an increasing operating deficit in the General Fund. Although the District has set aside funds for future revenue shortfall, it is important to address spending deficits early to maintain fiscal solvency. The County Superintendent recommends the District identify additional measures to address operating deficits in the General Fund to ensure educational programs are not adversely affected.

Certification



- **Positive Certification**: The District **WILL MEET** their financial obligations for the current and two (2) subsequent fiscal years, OR
- **Qualified Certification**: The District **MAY NOT MEET** their financial obligations for the current or two (2) subsequent fiscal years, OR
- **Negative Certification**: The District **WILL BE UNABLE TO MEET** their financial obligations for the remainder of the current year or subsequent fiscal years based upon current projections (not meeting reserves in current year or negative fund balances in any year)

RECOMMENDATION

It is recommended that the Board:

1. Forward 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, along with the budget revisions listed in the projected year totals.
2. Approve the budget revisions listed in the projected year totals.

