



2015/16 Second Interim Budget

March 10, 2016



Business Office Memorandum

To: Board of Education

From: Ahmad Sheikholeslami, Chief Business and Operations Officer
Jill Frederiksen, Director of Fiscal Services

Date: 3/7/2016

Re: 2015/16 Second Interim Budget

Overview & Reserve Levels

The Board is required to certify the financial condition of the District for the current and two subsequent fiscal years when the budget is adopted and at the two interim reporting periods during the school year. The minimum reserve for economic uncertainties required by the State for the three year period is 3% of total expenditures. This typically equates to less than two weeks of payroll. The MPCSD Board has adopted a policy to target a reserve for economic uncertainties that equates to not less than two months of payroll, or about 20% of total expenditures. Reserves for economic uncertainties do not include restricted or assigned fund balances in the General Fund, nor balances in Fund 17, Special Reserve (parcel taxes).

The 2015/16 Second Interim Budget projects a reserve of 17.7% for the budget year, 17.0% for the first subsequent year (2016/17), and 13.2% for the second subsequent year (2017/18). This is an improvement since the First Interim Budget of 0.4% for the current year and an increase of 2.3% and 2.8% for the two subsequent years, respectively. The increase in the subsequent years reflects additional one-time state funds in 2016/17 and accelerated withdrawals from Fund 17, Special Reserve, parcel tax balances. (Reference multi-year assumptions below for details.) The second subsequent year, 2017/18, includes renewal of the 2010 Measure C parcel tax at its current level plus CPI increases. This parcel tax sunsets June 30, 2017. Fund 17, Special Reserve, will be fully expended by 2018/19.

Changes in the Current Budget Year

The 2015/16 Second Interim Budget reflects relatively minor changes in the current year since the First Interim Budget was Board approved on December 8, 2015. The total ending fund balance is increased \$423,289. Of this amount, \$238,253 is restricted for specific purposes and \$185,036 is unrestricted. Only the unrestricted portion increases available reserves. A detailed listing of the variances can be found in the attached documentation. The major changes are described below.

- The Second Interim Budget includes additional one-time state funding of \$284,506 for the Educator Effectiveness grant. These are restricted funds to be spent within the next three years. Receipt of the funds was dependent on a spending plan that was Board approved on January 11, 2016.
- Other net changes total \$138,783 in revenue and expense. The most significant of these is an \$89,860 increase in the Court-Ordered Voluntary Pupil Transfer (Tinsley) revenue. This increase is carried forward into future years.

Staffing changes include an increase of 0.38 FTE since First Interim, as detailed below.

2015/16 Staffing Changes	General Ed & Administration	Special Education
Certificated:		
Teachers	(1.00)	
Mental Health Therapist Coordinator		1.00
Classified:		
Playground Supervisors/Para Educators	0.11	(0.23)
Clerical	0.50	
Total Staffing Changes	(0.39)	0.77

Property Tax Revenue

The District projects total current year property tax revenue to be \$25.75 million. Of this amount, \$23.9 million is from secured property tax, that portion generated from assessed values of land and structures. Secured property tax increased 9% over the prior year, for an additional \$1.98 million. The District's total revenue for 2015/16 is \$42.7 million. The growth in secured property tax, while significant, equates to less than a 5% increase in total revenue. Final property tax revenue may change by year end.

Based on data from the San Mateo County Assessor's Office for next year, the Second Interim Budget maintains an increase of 5.0% in secured property tax in the multi-year projection for

2016/17, approximately \$1.2 million. (No change since First Interim.) Changes in other forms of property tax are unpredictable and will be adjusted as information is known. It is important to note the District will not receive its first estimate of 2016/17 property tax apportionments until October, 2016. The Second Interim Budget projection for 2017/18 secured property tax, and beyond, remains at 3%.

Parcel Tax Revenue

On February 1, 2016, the Board approved two parcel tax resolutions. The first is to renew the 2010 Measure C parcel tax at its current level (approximately \$1.6 million). This parcel tax is set to expire on June 30, 2017. In addition, the Board approved a second resolution for a new parcel tax based on enrollment growth. These will be placed before the voters in a special election on May 3, 2016.

The Second Interim Budget assumption regarding parcel tax revenue in the multi-year projection is consistent with First Interim. It assumes the renewal of the 2010 Measure C parcel tax at its current level plus CPI increases. It does not include the additional revenue from the second parcel tax. Adjustment to these assumptions will be made after the May election.

The District relies on parcel tax revenue to maintain a high standard of educational experience. Renewal of the 2010 Measure C parcel tax (2016 ballot Measure A) ensures income of approximately \$1.66 million in the 2017/18 fiscal year. This equates to 3.6% of total expenditures. Failure to renew the existing parcel tax may result in increased class size, staffing reductions, and the elimination of essential educational programs.

The District has experienced a steady increase in enrollment. However, as a community-funded district, MPCSD does not receive additional funding for enrollment growth. Passage of the second parcel tax (2016 ballot Measure C) would provide fiscal stability in future years by preserving reserves and reducing deficit spending. Failure of this parcel tax would result in additional educational reductions as described above. Enrollment is projected to increase 213 students by 2020 and continue growing through 2025. This parcel tax is based on \$2.20 per parcel for each additional student above the 2015 enrollment to a maximum of 213 students. If enrollment does not increase as projected, the District would not collect the additional taxes.

One-Time State Funds

Beginning in 2013/14, all school districts began receiving a series of one-time funds from the state in restricted and unrestricted dollars. Although received over a number of years, these funds are one time in nature and cannot be expected to be ongoing.

Brief History of One-Time State Funds	2013/14	2014/15	2015/16
Common Core Implementation Grant	\$562,494		
Prop. 39, Clean Energy Act (5 year plan)	\$107,984	\$100,588	\$94,497
Discretionary/Mandate Reimbursement Backlog		\$187,393	\$1,534,450
Educator Effectiveness Grant			\$284,506

In January, the governor proposed another \$1.2 billion in one-time discretionary funds for 2016/17 to offset the backlog of mandated cost reimbursement claims. This would pay down the state's debt for outstanding claims by a total of \$4.9 billion over a three year period (2014/15 to 2016/17). The Department of Finance estimates a balance of \$1.6 billion would remain in the mandate backlog. It is not known, or proposed, that additional funds would be allocated after 2016/17. However, the estimate of the remaining debt suggests the District would not experience this type of funding for more than one additional year beyond 2016/17. The Second Interim Budget multi-year projection includes \$500,000 of one-time state funds for 2016/17 only. The amount will be adjusted after the governor's May Revise.

Ongoing State Funds

As a community-funded district, MPCSD receives very little in state funding. Total ongoing state funding is \$2.45 million, or about 6% of total revenue after adjusting for the one-time monies described above. The sources of state funds are detailed below. They are not expected to change significantly in future years with the exception of the expiration of Proposition 30 funds from the Education Protection Account.

- \$804,860, Court-Ordered Voluntary Pupil Transfer (Tinsley) program – approximately 70% of Ravenswood City School District base funding for students who live in that attendance boundary but attend our schools
- \$432,027, Minimum State Aid – funding under the Local Control Funding Formula (LCFF) model that replaced the state categorical programs in existence before LCFF was implemented in 2013/14
- \$570,000, Proposition 30, Education Protection Account – funded by the temporary increase in state taxes enacted in 2012 and set to expire in 2018 unless new legislation is passed to extend the taxes and distribute proceeds in a similar manner
- \$525,000, Lottery funds – approximately 23% of these funds are restricted for instructional materials, the remainder is unrestricted
- \$82,395, Mandate Block Grant – replaces the individual claims process for mandated costs (for which the state has been repaying the backlog of debt as described above)
- \$35,000, SELPA Mental Health Reimbursement

Federal Funds

The District receives \$641,908 in ongoing federal funds. The majority of these funds (\$534,624) supports the District's Special Education program. Other sources include Title I (\$50,516) for low-income students; Title II (\$35,099) to improve teacher quality; and Title III (\$21,669) for English language learners. These sources are not expected to change significantly in future years.

Multi-Year Assumptions

The District is required to report financial projections for the two subsequent years (2016/17 and 2017/18). A third subsequent year is included in the Second Interim Budget (2018/19). This third year will be required as part of the 2016/17 budget process. A detailed listing of the multi-year budget assumptions can be found in the attached documentation. Listed below are the assumptions to be noted.

- The District receives the majority of its revenue from local property taxes, which fund 63% of total, ongoing expenditures. Secured property tax growth has varied over the last 10 years from 1.4% (2011/12) to 11.1% (2006/07). The District's multi-year projection includes an increase of 9.0% in secured property tax for 2015/16, 5% for 2016/17, 3% for 2017/18, and 3% for 2018/19. These projections will be adjusted as information is known.
- Other local funding from parcel taxes and the Menlo Park Atherton Education Foundation (MPAEF) supports an additional 25% of ongoing expenditures (16% and 9%, respectively). Parcel tax revenues are increased by CPI each year and the MPAEF contribution remains unchanged in future years. The 2010 Measure C parcel tax sunsets 2016/17. The District's multi-year projection includes its renewal by 2017/18 at approximately \$1.66 million in that year. The loss of this funding would reduce projected reserves in that year from 13.2% to 9.5%.
- The multi-year projection does not include loss of funding from Proposition 30, "Temporary Taxes to Fund Education," (Education Protection Account). The increase in state sales tax will expire 2016, and the additional tax for upper-income taxpayers will expire 2018. For 2015/16, this revenue is expected to be approximately \$570,000. The California Teachers Association (CTA) and the California Hospitals Association (CHA) have collaborated on a new initiative to continue the higher income tax rates for high-income earners. Proponents will need to collect the requisite signatures to qualify for the November 2016 ballot by this summer. Staff will keep the Board apprised as details become available.

- GASB 68, “Accounting and Financial Reporting for Pensions,” requires most state and local governments to recognize the long-term obligation for pension benefits in the audit report beginning with the 2014/15 fiscal year. Part of this process includes the reporting of the state’s contribution to STRS on behalf of local employees. A contribution (revenue) and expenditure were recognized at the prior year-end close for \$1.13 million – no effect on the ending fund balance. The STRS on behalf contribution and expenditure will be included in the current year budget at Estimated Actuals as a part of the 2016/17 budget process, and will be included in future years at that time. This will need to be taken into consideration when comparing historical data of revenue and expenditures prior to 2014/15.
- Additional revenue of \$100,000 per year from summer facility rentals has been included in the multi-year budget, beginning next year.
- The \$150,000 World Language program (new in 2015/16) is assumed to be ongoing in subsequent years.
- Instructional Technology Coaches (1.5 FTE) are limited to an additional year, through 2016/17. These positions are funded from Foundation Fellowship/Teacher Excellence assigned fund balances and augmented with 2015/16 one-time discretionary funds.
- Salary increases are not included in the multi-year projection. However, it does include mandatory increases in the employer contribution to the STRS and PERS retirement funds. The combined impact of this deferred employee compensation over the five year period since these increases were mandated (2014/15 through 2018/19) is approximately \$2.3 million.
- Laurel School Upper Campus is projected to open next year. The new school will address growth that the District has been experiencing by reducing enrollment at Encinal and Oak Knoll and providing the capacity to handle future growth.
- Included in the multi-year projection is the addition of 12.675 FTE next year. This includes:
 - 2.0 FTE teachers per year, ongoing for projected enrollment growth
 - 4.8 FTE certificated staff, one-time for new school and as a deferred response to past growth
 - 4.875 FTE classified staff, one-time for new school and as a deferred response to past growth
 - 1.0 FTE additional transportation staff
- An additional \$100,000 is added next year for utilities and supplies associated with the new school.

- Special Education costs are increased \$50,000 next year, then \$100,000 per year thereafter.
- Contracted services are increased next year \$40,000 for communications support.

Conclusion

The District will be moving into the 2016/17 budget process in the next few months. The May 3, 2016, parcel tax election will have a significant impact on future planning. Without the support of the community to renew and increase local parcel taxes, the District will be required to reduce expenditures by over \$5 million in 2018/19 to achieve the Board policy of a 10% minimum reserve level in future years of its multi-year projection. These budget cutbacks may include increasing class size, reducing staff, and eliminating essential education programs. The District's current level of reserve will only hold off the reductions through 2017/18. If both parcel taxes fail, the District will not be able to meet the state required minimum reserve level of 3% in 2018/19 with the current level of spending. The District must look at contingency scenarios in developing next year's multi-year projection. The 2016/17 Budget will be presented to the Board at the public hearing on June 7, 2016.

Included in the 2015/16 Second Interim Budget are the following reports:

- Summary of All Funds
- 2015/16 Personnel Allocation
- 2015/16 General Fund Projected Year Totals
- 2015/16 General Fund Variance Summary
- Multi-Year Projection
- Restatement of Reserves
- Budget Assumptions
- SACS Financial Report

**MENLO PARK CITY SCHOOL DISTRICT
ALL FUNDS
2015/16 Second Interim Budget**

	General Fund 01	Cafeteria 13	Deferred Maintenance 14	Special Reserve Other 17	Special Reserve for OPEB 20	Building Fund 21	Capital Facilities (Dev Fees) 25	County School Facilities 35	Special Reserve Capital Outlay 40
Beginning Fund Balance	\$ 9,186,853	\$ 58,440	\$ 2,345,940	\$ 4,978,929	\$ 61	\$ 25,430,316	\$ 1,016,449	\$ 147	\$ 1,878,702
REVENUES:									
LCFF/Property Taxes	\$ 28,364,444	\$ -	\$ 625,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	693,922	114,000	-	-	-	-	-	-	-
Other State	2,565,348	6,100	-	-	-	-	-	-	-
Other Local	11,102,835	5,400	10,000	30,000	-	130,000	353,000	-	10,000
Total Revenues	\$ 42,726,549	\$ 125,500	\$ 635,000	\$ 30,000	\$ -	\$ 130,000	\$ 353,000	\$ -	\$ 10,000
EXPENDITURES:									
Certificated Salaries	\$ 23,256,252	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Classified Salaries	5,767,300	-	-	-	-	87,958	-	-	-
Employee Benefits	7,194,518	-	-	-	-	23,970	-	-	-
Books and Supplies	1,767,375	109,000	-	-	-	-	5,000	-	-
Services & Other Expenses	3,778,831	-	-	-	-	-	18,000	-	43,225
Capital Outlay & Other Outgo	484,760	-	1,191,500	-	-	17,971,892	1,000,000	-	2,050,000
Total Expenditures	\$ 42,249,036	\$ 109,000	\$ 1,191,500	\$ -	\$ -	\$ 18,083,820	\$ 1,023,000	\$ -	\$ 2,093,225
OTHER FINANCING SOURCES:									
Interfund Transfers In	\$ 1,238,722	\$ -	\$ -	\$ -	\$ -	\$ 147	\$ -	\$ -	\$ 1,100,000
Interfund Transfers Out	-	20,000	1,100,000	1,218,661	61	-	-	147	-
TOTAL OTHER SOURCES	\$ 1,238,722	\$ (20,000)	\$ (1,100,000)	\$ (1,218,661)	\$ (61)	\$ 147	\$ -	\$ (147)	\$ 1,100,000
Net Incr/(Decr) to Fund Balance	\$ 1,716,235	\$ (3,500)	\$ (1,656,500)	\$ (1,188,661)	\$ (61)	\$ (17,953,673)	\$ (670,000)	\$ (147)	\$ (983,225)
NET ENDING BALANCE:	\$ 10,903,088	\$ 54,940	\$ 689,440	\$ 3,790,268	\$ -	\$ 7,476,643	\$ 346,449	\$ -	\$ 895,477

MENLO PARK CITY SCHOOL DISTRICT
2015/16 SECOND INTERIM BUDGET
PERSONNEL ALLOCATION

	ADOPTED BUDGET	1ST INTRM BUDGET	2ND INTRM BUDGET
CERTIFICATED EMPLOYEES, GENERAL FUND			
SUPERINTENDENT & ASSISTANT SUPERINTENDENT	2.00 FTE	2.00 FTE	2.00 FTE
DIRECTORS	3.00 FTE	2.00 FTE	2.00 FTE
COORDINATOR, DATA & ASSESSMENTS	- FTE	1.00 FTE	1.00 FTE
PROGRAM SPECIALIST, SPECIAL EDUCATION	1.00 FTE	- FTE	- FTE
PRINCIPALS & ASSISTANT PRINCIPALS	9.00 FTE	9.00 FTE	9.00 FTE
TEACHERS - GENERAL EDUCATION	161.79 FTE	163.83 FTE	162.83 FTE
TEACHERS - SPECIAL EDUCATION	17.30 FTE	16.90 FTE	16.90 FTE
TEACHERS - SPECIAL ASSIGNMENT / WELLNESS COORDINATOR	2.35 FTE	2.40 FTE	2.40 FTE
NURSES	1.40 FTE	1.40 FTE	1.40 FTE
LIBRARIANS	4.00 FTE	4.00 FTE	4.00 FTE
PSYCHOLOGISTS & MENTAL HEALTH THERAPIST COORDINATOR	4.40 FTE	4.60 FTE	5.60 FTE
COUNSELORS	5.00 FTE	5.00 FTE	5.00 FTE
TOTAL CERTIFICATED EMPLOYEES, GENERAL FUND	211.24 FTE	212.13 FTE	212.13 FTE
CLASSIFIED EMPLOYEES, GENERAL FUND			
CHIEF BUSINESS & OPERATIONS OFFICER	0.70 FTE	0.70 FTE	0.70 FTE
DIRECTORS	2.00 FTE	2.00 FTE	2.00 FTE
MANAGER / SUPERVISOR	2.00 FTE	2.00 FTE	2.00 FTE
COORDINATOR, SPECIAL EDUCATION	- FTE	1.00 FTE	1.00 FTE
PARA EDUCATORS & ASSISTIVE TECH - SPECIAL EDUCATION	31.22 FTE	31.19 FTE	30.96 FTE
HEALTH SERVICE ASSISTANTS & LVN'S	3.31 FTE	3.28 FTE	3.28 FTE
INSTRUCTIONAL AIDES - GENERAL EDUCATION	11.81 FTE	12.38 FTE	12.38 FTE
OCCUPATIONAL THERAPISTS	2.00 FTE	2.00 FTE	2.00 FTE
PLAYGROUND SUPERVISORS	4.53 FTE	4.97 FTE	5.08 FTE
CLERICAL	17.38 FTE	16.38 FTE	16.88 FTE
TECHNOLOGY SUPPORT	5.00 FTE	5.00 FTE	5.00 FTE
MAINTENANCE & GROUNDS	4.00 FTE	4.00 FTE	4.00 FTE
CUSTODIANS	12.00 FTE	12.00 FTE	12.00 FTE
TRANSPORTATION	2.00 FTE	2.00 FTE	2.00 FTE
TOTAL CLASSIFIED EMPLOYEES, GENERAL FUND	97.95 FTE	98.90 FTE	99.28 FTE
CLASSIFIED EMPLOYEES, BOND FUND			
CHIEF BUSINESS & OPERATIONS OFFICER	0.30 FTE	0.30 FTE	0.30 FTE
CLERICAL	0.50 FTE	0.50 FTE	0.50 FTE
TOTAL CLASSIFIED EMPLOYEES, BOND FUND	0.80 FTE	0.80 FTE	0.80 FTE
TOTAL FULL TIME EQUIVALENCIES (FTE)	309.99 FTE	311.83 FTE	312.21 FTE

**MENLO PARK CITY SCHOOL DISTRICT
GENERAL FUND PROJECTED YEAR TOTALS
2015/16 Second Interim Budget**

	2nd Interim Budget Summary	One-Time Sources/Uses	Adjusted Budget for Ongoing
Beginning Fund Balance	\$ 9,186,853	\$ -	\$ 9,186,853
REVENUES:			
Local Control Funding Formula Sources			
Secured Property Tax	\$ 23,931,855	\$ -	\$ 23,931,855
Other Local Property Tax	1,818,407		1,818,407
State Aid (Minimum State Aid & Tinsley Revenue Transfer)	1,236,887		1,236,887
Education Protection Account (Prop. 30) - expires 2018/19	570,000		570,000
Special Education/SELPA Property Tax Transfer (Restricted)	1,432,295		1,432,295
Deferred Maintenance Transfer	<u>(625,000)</u> ¹	-	<u>(625,000)</u>
Sub-Total Local Control Funding Formula Sources	\$ 28,364,444	\$ -	\$ 28,364,444
Federal Revenue	693,922	(52,014) ²	641,908
Other State Revenue (Mandated Costs, Lottery, Other One-Time)	2,565,348	(1,917,953) ³	647,395
Local Revenue - Parcel Taxes	6,694,312 ⁴		6,694,312
Local Revenue - Menlo Park Atherton Education Foundation	3,600,000		3,600,000
Local Revenue - Other (Local Grants, Interest, PTO, Transportation, Etc.)	<u>808,523</u>	<u>(48,778)</u> ⁵	<u>759,745</u>
Total Revenue	<u>\$ 42,726,549</u>	<u>\$ (2,018,745)</u>	<u>\$ 40,707,804</u>
EXPENDITURES:			
Salaries & Benefits			
Certificated Salaries	\$ 23,256,252	\$ (191,494)	\$ 23,064,758
Classified Salaries	5,767,300		5,767,300
Employee Benefits	<u>7,194,518</u>	<u>(41,136)</u>	<u>7,153,382</u>
Sub-Total Salaries & Benefits	\$ 36,218,070	\$ (232,630) ⁶	\$ 35,985,440
Books & Supplies	1,767,375	(238,508) ⁷	1,528,867
Services & Operating Expenditures	3,778,831	(535,608) ⁸	3,243,223
Capital Outlay	199,160	(199,160) ⁹	-
Other Outgo - OPEB Contribution	135,000		135,000
Other Outgo - Special Ed Tuition to Other Public Agencies	<u>150,600</u>	<u>-</u>	<u>150,600</u>
Total Expenditures	<u>\$ 42,249,036</u>	<u>\$ (1,205,906)</u>	<u>\$ 41,043,130</u>
NET OPERATING SURPLUS/(DEFICIT) - Revenue Less Expenditures	\$ 477,513	\$ (812,839)	\$ (335,326)
Transfers In	\$ 1,238,722	\$ -	\$ 1,238,722
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase(Decrease) in Fund Balance	<u>\$ 1,716,235</u>	<u>\$ (812,839)</u>	<u>\$ 903,396</u>
Projected & Adjusted Ending Fund Balance	\$ 10,903,088		\$ 10,090,249

One-Time Adjustments/Notes:

¹ Due to the classification of the Deferred Maintenance fund (Fund 14), the CDE recommends that the Deferred Maintenance transfer be reported as a reduction of LCFF revenue rather than an expenditure. This was implemented with the 2014/15 First Interim Budget Report.

² Deferred Revenue (carryover) from prior year

³ One-time Mandate/discretionary funding (\$1,534,450); Prop. 39, Clean Energy, grant (\$94,497); Educator Effectiveness grant (\$284,506); Deferred revenue from prior year (\$4,500)

⁴ Prior to the 2014/15 First Interim Budget Report, Parcel Tax revenue was reported in Fund 17.

⁵ Summer Drama (\$21,695) & Site Deposits/Donations (\$27,083)

⁶ Tech coaches (\$186,730), Summer Drama (\$20,130), Carryover (\$25,770)

⁷ One-time Mandate/discretionary funding (\$150,000), Carryover (\$65,968), Summer Drama & Site Deposits/Donations (\$22,540)

⁸ One-time Mandate/discretionary funding (\$267,000); Prop. 39, Clean Energy, grant (\$94,497); Carryover (\$87,858); One-time expense for seat belts and nursing services (\$40,000); Increased professional development for 2015/16 and 2016/17 only (\$46,253)

⁹ New bus, from one-time Mandate/discretionary funding (\$174,160) and new Maintenance truck (\$25,000)

**MENLO PARK CITY SCHOOL DISTRICT
GENERAL FUND VARIANCE SUMMARY
2015/16 Second Interim Budget**

	2015-16 Adopted	2015-16 First Interim	2015-16 Second Interim	Increase/(Decrease) Second Interim
Beginning Fund Balance	\$ 8,965,946	\$ 9,186,853	\$ 9,186,853	\$ -
REVENUES:				
LCFF Sources (Property Tax & State Aid)	\$ 28,035,283	\$ 28,274,584	\$ 28,364,444	\$ 89,860 ¹
Federal Revenue	610,726	698,184	693,922	(4,262)
Other State Revenue	1,159,100	2,283,335	2,565,348	282,013 ²
Menlo Park Atherton Education Foundation	3,600,000	3,600,000	3,600,000	-
Parcel Tax Revenue	6,700,983	6,694,312	6,694,312	-
Other Local Revenue	646,965	795,983	808,523	12,540
Total Revenue	\$ 40,753,057	\$ 42,346,398	\$ 42,726,549	\$ 380,151
EXPENDITURES:				
Certificated Salaries	\$ 23,523,749	\$ 23,306,487	\$ 23,256,252	\$ (50,235) ³
Classified Salaries	5,707,334	5,793,071	5,767,300	(25,771) ³
Employee Benefits	7,252,578	7,240,570	7,194,518	(46,052) ³
Books and Supplies	1,917,067	1,849,904	1,767,375	(82,529) ⁴
Services and Operating Expenditures	3,029,477	3,614,983	3,778,831	163,848 ⁴
Capital Outlay	-	174,160	199,160	25,000 ⁵
Other Outgo	265,000	290,000	285,600	(4,400)
Total Expenditures	\$ 41,695,205	\$ 42,269,175	\$ 42,249,036	\$ (20,139)
OTHER FINANCING SOURCES/USES:				
Transfers In	1,340,781	1,215,723	1,238,722	22,999 ⁶
Transfers Out	-	-	-	-
Increase/(Decrease) Fund Balance	\$ 398,633	\$ 1,292,946	\$ 1,716,235	\$ 423,289
Projected Ending Fund Balance	\$ 9,364,579	\$ 10,479,799	\$ 10,903,088	\$ 423,289

Second Interim Footnotes:

¹ \$89,860 Court-Ordered Voluntary Pupil Transfer (Tinsley), per CDE First Principal Apportionment

² \$284,506 Educator Effectiveness grant. (\$238,253 increase in restricted ending fund balance for future expenditures.)

³ Update salaries and benefits.

⁴ Update supplies and services. Increase professional development \$46,253.

⁵ \$25,000 Maintenance truck

⁶ Clean up interfund transfer from Fund 17.

MENLO PARK CITY SCHOOL DISTRICT
MULTI-YEAR PROJECTION
2015/16 Second Interim Budget

2010 Measure C Renewal (Only)

	2015/16			2016/17			2017/18			2018/19		
REVENUES:	Unrestricted	Restricted	Unr/Rest	Unrestricted	Restricted	Unr/Rest	Unrestricted	Restricted	Unr/Rest	Unrestricted	Restricted	Unr/Rest
LCFF(Property Tax)	\$ 26,932,149	\$ 1,432,295	\$ 28,364,444	\$ 28,144,992	\$ 1,453,404	\$ 29,598,396	\$ 28,879,535	\$ 1,474,830	\$ 30,354,365	\$ 29,636,114	\$ 1,496,578	\$ 31,132,692
Federal Revenue	-	693,922	693,922	-	651,908	651,908	-	661,908	661,908	-	671,908	671,908
Other State Revenue	2,027,845	537,503	2,565,348	993,395	248,497	1,241,892	493,395	248,497	741,892	493,395	149,000	642,395
Other Local Revenue	4,048,440	7,054,395	11,102,835	4,126,745	7,194,671	11,321,416	4,126,745	7,366,213	11,492,958	4,126,745	7,542,043	11,668,788
Total Revenues	\$ 33,008,434	\$ 9,718,115	\$ 42,726,549	\$ 33,265,132	\$ 9,548,480	\$ 42,813,612	\$ 33,499,675	\$ 9,751,448	\$ 43,251,123	\$ 34,256,254	\$ 9,859,529	\$ 44,115,783
EXPENDITURES:												
Certificated Salaries	\$ 15,394,607	\$ 7,861,645	\$ 23,256,252	\$ 16,175,638	\$ 8,403,670	\$ 24,579,308	\$ 16,438,803	\$ 8,509,456	\$ 24,948,259	\$ 16,844,340	\$ 8,588,703	\$ 25,433,043
Classified Salaries	3,031,687	2,735,613	5,767,300	3,347,554	2,854,731	6,202,285	3,437,742	2,905,037	6,342,779	3,474,320	2,951,128	6,425,448
Employee Benefits	4,595,776	2,598,742	7,194,518	5,251,205	2,974,562	8,225,767	5,874,945	3,344,798	9,219,743	6,493,608	3,665,789	10,159,397
Books & Supplies	989,667	777,708	1,767,375	834,378	762,117	1,596,495	834,378	772,117	1,606,495	834,378	782,117	1,616,495
Operating Expenses	2,046,933	1,731,898	3,778,831	1,755,252	1,758,307	3,513,559	1,760,252	1,876,307	3,636,559	1,810,252	1,904,810	3,715,062
Cap Outlay & Other Outgo	309,160	175,600	484,760	139,160	150,600	289,760	139,160	150,600	289,760	139,160	150,600	289,760
Total Expenditures	\$ 26,367,830	\$ 15,881,206	\$ 42,249,036	\$ 27,503,187	\$ 16,903,987	\$ 44,407,174	\$ 28,485,280	\$ 17,558,315	\$ 46,043,595	\$ 29,596,058	\$ 18,043,147	\$ 47,639,205
NET OPERATING SURPLUS/(DEFICIT)	\$ 6,640,604	\$ (6,163,091)	\$ 477,513	\$ 5,761,945	\$ (7,355,507)	\$ (1,593,562)	\$ 5,014,395	\$ (7,806,867)	\$ (2,792,472)	\$ 4,660,196	\$ (8,183,618)	\$ (3,523,422)
TRANSFERS & CONTRIBUTIONS:												
Transfers In	\$ 263,205	\$ 975,517	\$ 1,238,722	\$ 268,924	\$ 1,353,773	\$ 1,622,697	\$ 275,704	\$ 1,173,971	\$ 1,449,675	\$ 281,356	\$ 156,969	\$ 438,325
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to Restricted	(5,524,607)	5,524,607	-	(6,055,481)	6,055,481	-	(6,732,896)	6,732,896	-	(8,126,649)	8,126,649	-
Net Transfers & Contributions	\$ (5,261,402)	\$ 6,500,124	\$ 1,238,722	\$ (5,786,557)	\$ 7,409,254	\$ 1,622,697	\$ (6,457,192)	\$ 7,906,867	\$ 1,449,675	\$ (7,845,293)	\$ 8,283,618	\$ 438,325
Increase/(Decrease) Fund Balance	\$ 1,379,202	\$ 337,033	\$ 1,716,235	\$ (24,612)	\$ 53,747	\$ 29,135	\$ (1,442,797)	\$ 100,000	\$ (1,342,797)	\$ (3,185,097)	\$ 100,000	\$ (3,085,097)
Beginning Fund Balance	8,105,851	1,081,002	9,186,853	9,485,053	1,418,035	10,903,088	9,460,441	1,471,782	10,932,223	8,017,644	1,571,783	9,589,427
Ending Fund Balance	\$ 9,485,053	\$ 1,418,035	\$ 10,903,088	\$ 9,460,441	\$ 1,471,782	\$ 10,932,223	\$ 8,017,644	\$ 1,571,783	\$ 9,589,427	\$ 4,832,547	\$ 1,671,783	\$ 6,504,330

Assigned Balances (from Unrestricted):

1.5% Prop Tax & Genentech Reserve	\$ 472,000		\$ 446,000		\$ 416,000		\$ 427,000
Instr Materials & Unrestr Lottery	821,045		921,045		1,021,045		1,121,045
Foundation & Site Grants	199,565		25,864		25,864		25,864
Tech Reserve for New School	300,000		300,000		300,000		300,000
Strategic Directions	198,000		198,000		198,000		198,000
Total Assigned Balances	\$ 1,990,610		\$ 1,890,909		\$ 1,960,909		\$ 2,071,909

Reserve for Economic Uncertainty 17.7% \$ 7,494,443 17.0% \$ 7,569,532 13.2% \$ 6,056,735 5.8% \$ 2,760,638

Fund 17, Special Reserve

Interest Income	\$ 30,000		\$ 20,000		\$ 10,000		\$ 5,000
Less Transfers Out, to General Fund	1,218,661		1,602,697		1,429,675		418,325
Increase/(Decrease) Fund Balance	\$ (1,188,661)		\$ (1,582,697)		\$ (1,419,675)		\$ (413,325)
Beginning Fund Balance	\$ 4,978,929		\$ 3,790,268		\$ 2,207,571		\$ 787,896
Fund 17, Special Reserve, Ending Balance	\$ 3,790,268		\$ 2,207,571		\$ 787,896		\$ 374,571

(Assigned Ending Fund Balance)

Menlo Park City School District
 Restatement of Reserves
 2015/16 Second Interim Budget

Senate Bill (SB) 858 requires districts to report reserves in excess of the state minimum requirement, including assigned fund balances in Fund 01, General Fund, and Fund 17, Special Reserve Fund. The minimum required reserve for Menlo Park City School District is 3% of total expenditures. This typically equates to less than 2 weeks of payroll. The MPCSD Board has adopted a policy, BP 3470(b), to target a reserve level that equates to not less than 2 months of payroll, or about 20% of total expenditures. The targeted reserve level does not include assigned fund balances. Board policy further states that reserves should not be permitted to drop below 15% in any budget year, or 10% in multi-year projections.

Below is a comparison of the reserves reported in the 2015/16 Budget, General Fund Reserve for Economic Uncertainties, and a restatement of the reserves to include assigned balances. **Note that fiscal year 2017/18 includes renewal of Measure C parcel tax at \$1.6M (rounded). Non-renewal of this parcel tax would decrease reserves by approx. 3.6%.**

	2015-16	2016-17	2017-18
Restatement of Reserves			
Total Expenditures & Transfers Out	\$42,249,036	\$44,407,174	\$46,043,595
3% Minimum Reserve Level Required by the State	\$ 1,267,471	\$ 1,332,215	\$ 1,381,308
Fund 01, General Fund, Excess Reserve for Economic Uncertainties, Not Including Assigned Fund Balances	6,226,972	6,237,317	4,675,427
Total Fund 01, General Fund, Reserve for Economic Uncertainties -- Reported in 2015/16 Budget	\$ 7,494,443	\$ 7,569,532	\$ 6,056,735
Total Fund 01, General Fund, Reserve for Economic Uncertainties As a Percentage of Total Expenditures	17.7%	17.0%	13.2%
Fund 01, General Fund, Unrestricted Assigned Balances	\$ 1,990,610	\$ 1,890,909	\$ 1,960,909
Fund 17, Special Reserve Fund, Assigned Balances	3,790,268	2,207,571	787,896
Total Restatement of Reserves to Include Assigned Balances in Fund 01 and Fund 17	\$13,275,321	\$11,668,012	\$ 8,805,540
Total Restatement of Reserves As a Percentage of Total Expenditures	31.4%	26.3%	19.1%
Amount of Restated Reserves in Excess of 3% Minimum	\$12,007,850	\$10,335,797	\$ 7,424,232
Reasons for Reserves in Excess of State Minimum			
Fund 01, General Fund, Excess Reserve for Economic Uncertainties, per Board Policy 3470(b)	\$ 6,226,972	\$ 6,237,317	\$ 4,675,427
Fund 01, General Fund, Unrestricted Assigned Balances:			
1.5% Property Tax & Genentech Reserve	\$ 472,000	\$ 446,000	\$ 416,000
Book Adoptions - Instructional Materials & Unrestricted Lottery Balances	821,045	921,045	1,021,045
Carryover from Foundation & Site Grants	199,565	25,864	25,864
Technology Reserves for New School	300,000	300,000	300,000
Strategic Directions	198,000	198,000	198,000
Total Fund 01, General Fund, Unrestricted Assigned Balances	\$ 1,990,610	\$ 1,890,909	\$ 1,960,909
Fund 17, Special Reserve Fund, Assigned Balances:			
Curriculum Coordinators (Previously Learning Leaders)	\$ 1,105,555	\$ 876,631	\$ 630,927
Combined Measure A, B & C Parcel Tax Balances (Restricted)	2,684,713	1,330,940	156,969
Total Fund 17, Special Reserve, Fund Assigned Balances	\$ 3,790,268	\$ 2,207,571	\$ 787,896
Combined Excess Reserve for Economic Uncertainties and Assigned Fund Balances	\$12,007,850	\$10,335,797	\$ 7,424,232

Menlo Park City School District

Second Interim Budget Assumptions

2015-16

- Revenue
 - LCFF/Property Tax Sources
 - 9.0% property tax growth on secured taxes
 - \$570,000 Proposition 30, Education Protection Account funds
 - \$625,000 Deferred Maintenance transfer out
 - Federal & Other State
 - Does not include pass-through of state contribution towards STRS on behalf on district employees (approx. \$1.1M) – will be added at Estimated Actuals and 2016/17 budget development, per GASB 68
 - \$1,534,450 one-time discretionary funds for mandate reimbursement backlog
 - \$284,506 one-time Educator Effectiveness grant (to be spent over 3 years) – restricted funds
 - \$99,497 one-time Prop. 39, Clean Energy Act, funding (3rd of 5 years)
 - \$56,514 one-time deferred revenue/carryover (not included at Adopted)
 - Other Local
 - \$6.7M parcel tax revenue
 - \$3.6M contribution from Menlo Park Atherton Education Foundation
 - \$85,000 Eustace-Kwan grant, plus \$17,780 Foundation/Eustace-Kwan summer school grant
 - \$85,000 Sequoia Healthcare District grant
 - \$48,778 one-time 2015 summer drama proceeds and other site deposits/donations (not included at Adopted)
- Expenditure
 - Salaries & Benefits
 - No salary increases other than step & column advancements
 - Does not include pass-through of state contribution towards STRS on behalf on district employees (approx. \$1.1M) – will be added at Estimated Actuals and 2016/17 budget development, per GASB 68
 - Approx. 0.38 FTE increase in staffing since the First Interim Budget
 - -1.0 FTE Certificated, General Ed Teachers
 - +1.0 FTE Other Certificated, Mental Health Therapist Coordinator
 - -0.12 FTE Classified, Paraeducators & Playground Supervisors
 - +0.50 FTE Classified, Clerical

- \$187,799 reduction in Foundation assignment in unrestricted ending fund balance for 1.5 FTE technology coaches for first of two years (2015/16 and 2016/17 only)
- 0.3% health care increase effective January 1, 2016 – based on actual Kaiser premiums effective January 1, 2016
- 1.85% increase in STRS employer rate (from 8.88% to 10.73%), approx. increase of \$431,000 over prior year (~\$572,900 cumulative since 2013-14)
- 0.08% increase in PERS employer rate (from 11.77% to 11.85%), approx. increase of \$4,000 over prior year (~\$19,700 cumulative since 2013-14)
- 0.038% increase in Workers' Compensation employer costs
- Other
 - \$179,596 one-time expenditures for carryover (not included at Adopted)
 - \$587,000 one-time expenditures from one-time Mandate/discretionary funds as follows:
 - \$80,000 allocated to sites (\$20K per school)
 - \$25,000 music equipment
 - \$30,000 technology prototypes, applications, and hardware
 - \$55,000 costs associated with start-up of the new school (music, library, planning)
 - \$47,000 website migration
 - \$80,000 parcel tax election costs
 - \$100,000 upgrade phone system
 - \$170,000 purchase of new bus
 - \$944,700 one-time increase in assigned ending fund balance from one-time Mandate/discretionary funds as follows:
 - \$331,700 assigned for future book adoptions
 - \$300,000 assigned for technology and furniture for the new school
 - \$115,000 assigned to extend technology coaches through 2016/17
 - \$198,000 assigned for Strategic Directions – TBD
 - Approximately \$46,000 increase in Curriculum & Instruction expenditures for two years only (2015/16 and 2016/17)
 - Routine Restricted Maintenance budgeted at 3% of total expenditures
 - \$135,000 OPEB contribution to CalPERS CERBT trust account

2016-17

- Revenue

- LCFF/Property Tax Sources
 - 5% Property tax growth on secured taxes – no change since First Interim

- \$35,000 increase in Tinsley revenue transfer
 - 1.5% COLA increase on Spec Ed/SELPA property tax transfers
 - \$570,000 Proposition 30, Education Protection Account funds
 - 3% increase in Deferred Maintenance transfer (\$643,750 total)
- Federal & Other State
 - Does not include pass-through of state contribution to STRS on behalf of district employees
 - \$500,000 one-time discretionary funds for mandate reimbursement backlog
 - \$10,000 increase in Spec Ed Federal IDEA grants
 - \$99,497 one-time Prop. 39, Clean Energy Act, funding (4th of 5 years)
- Other Local
 - \$100,000 increase in facilities rentals from summer camps
 - 2.5% CPI on Parcel Taxes
 - Does not include potential revenue from new parcel tax (May 2016 election)
 - \$3.6M contribution from Menlo Park Atherton Education Foundation
 - \$85,000 Eustace-Kwan grant
 - \$85,000 Sequoia Healthcare District grant
- Expenditure
 - Salaries & Benefits
 - No salary increases other than step & column advancements
 - Does not include pass-through of state contribution to STRS on behalf of district employees
 - 12.675 FTE increase in staffing (no change since First Interim)
 - 2.0 FTE Certificated – enrollment growth
 - 4.8 FTE Certificated – one-time addition as a deferred response to past growth and new school
 - 4.875 FTE Classified – one-time addition as a deferred response to past growth and new school
 - 1.0 FTE additional transportation staff
 - 0.4 FTE Classified & Classified Management from Bond Fund (0.4 FTE of salaries remaining in Bond Fund)
 - \$173,701 reduction in assigned ending fund balance to continue technology coaches (final year)
 - 7% health care increase effective January 1, 2017
 - 1.85% increase in STRS employer rate (from 10.73% to 12.58%), approx. increase of \$449,700 over prior year (~\$1.02M cumulative since 2013-14)
 - 1.20% increase in PERS employer rate (from 11.85% to 13.05%), approx. increase of \$69,900 over prior year (~\$89,600 cumulative since 2013-14)

- \$46,448 increase in costs for guest teachers
- Other
 - \$10,000 increase in Technology budget
 - \$50,000 for supplies for new school
 - \$50,000 for utility cost associated with new school
 - \$73,500 reduction in Sequoia Union High School busing contract
 - Approx. 0.8% increase in total Special Education budget for CPI/growth (\$50K) – a reduction of \$50,000 since First Interim
 - 3% increase in utilities/services
 - Maintain RRM at 3% of total expenditures
 - \$100,000 increase in assignments for future book adoptions

2017-18

● Revenue

- LCFF/Property Tax Sources
 - 3% Property tax growth on secured taxes – no change since First Interim
 - 1.5% COLA increase on Spec Ed/SELPA property tax transfers
 - \$570,000 Proposition 30, Education Protection Account funds
 - 3% increase in Deferred Maintenance transfer (\$663,060 total)
- Federal & Other State
 - Does not include pass-through of state contribution to STRS on behalf of district employees
 - \$10,000 increase in Spec Ed Federal IDEA grants
 - \$99,497 one-time Prop. 39, Clean Energy Act, funding (5th of 5 years)
- Other Local
 - 2.5% CPI on Parcel Taxes
 - **Assume renewal of Measure C parcel tax (\$1.6M)**
 - Does not include potential revenue from new parcel tax (May 2016 election)
 - \$3.6M contribution from Menlo Park Atherton Education Foundation
 - \$85,000 Eustace-Kwan grant
 - \$85,000 Sequoia Healthcare District grant

● Expenditure

- Salaries & Benefits
 - No salary increases other than step & column advancements
 - Does not include pass-through of state contribution to STRS on behalf of district employees

- 2.0 FTE Certificated Growth
- 0.4 FTE Classified & Classified Management from Bond Fund (no salaries remaining in Bond Fund)
- -1.5 FTE Certificated, technology coaches
- 7% health care increase
- 1.85% increase in STRS employer rate (from 12.58% to 14.43%), approx. increase of \$452,900 over prior year (~\$1.48M cumulative since 2013-14)
- 3.55% increase in PERS employer rate (from 13.05% to 16.6%), approx. increase of \$211,200 over prior year (~\$300,800 cumulative since 2013-14)
- Other
 - \$10,000 increase in Technology budget
 - Approx. 1.6% increase in total Special Education budget for CPI/growth (\$100K)
 - \$45,000 reduction in Curriculum & Instruction expenditures (budget increased for 2015/16 and 2016/17 only)
 - 3% increase in utilities/services
 - Maintain RRM at 3% of total expenditures
 - \$100,000 increase in assignments for future book adoptions

2018-19

- Revenue

- LCFF/Property Tax Sources
 - 3% Property tax growth on secured taxes
 - 1.5% COLA increase on Spec Ed/SELPA property tax transfers
 - \$570,000 Proposition 30, Education Protection Account funds (final year)
 - 3% increase in Deferred Maintenance transfer (\$682,950 total)
- Federal & Other State
 - Does not include pass-through of state contribution to STRS on behalf of district employees
 - \$10,000 increase in Spec Ed Federal IDEA grants
 - \$99,497 reduction of one-time Prop. 39, Clean Energy Act, funding
- Other Local
 - 2.5% CPI on Parcel Taxes
 - **Assume renewal of Measure C parcel tax (\$1.7M)**
 - Does not include potential revenue from new parcel tax (May 2016 election)
 - \$3.6M contribution from Menlo Park Atherton Education Foundation
 - \$85,000 Eustace-Kwan grant
 - \$85,000 Sequoia Healthcare District grant

- Expenditure

- Salaries & Benefits

- No salary increases other than step & column advancements
- Does not include pass-through of state contribution to STRS on behalf of district employees
- 2.0 FTE Certificated Growth
- 7% health care increase
- 1.85% increase in STRS employer rate (from 14.43% to 16.28%), approx. increase of \$458,500 over prior year (~\$1.93M cumulative since 2013-14)
- 3.55% increase in PERS employer rate (from 16.6% to 18.2%), approx. increase of \$96,500 over prior year (~\$397,000 cumulative since 2013-14)

- Other

- \$10,000 increase in Technology budget
- Approx. 1.6% increase in total Special Education budget for CPI/growth (\$100K)
- 3% increase in utilities/services
- Maintain RRM at 3% of total expenditures
- \$99,497 reduction of one-time Prop. 39, Clean Energy Act, expenditures
- \$100,000 increase in assignments for future book adoptions