



2016/17 Adopted Budget

June 7, 2016 – Public Hearing

June 13, 2016 – Adoption



Business Office Memorandum

To: Board of Education

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

Date: 6/2/2016

Re: 2016/17 Adopted Budget

Executive Summary

The 2016/17 Budget has estimated revenues of \$45,341,452 and proposed expenditure of \$45,396,340. It is important to note the following:

- The revenues and expenditures for 2016/17 include \$1,932,021 for the state's contribution to the State Teachers' Retirement System (STRS) on behalf of local employees. This was not included in previous adopted budgets. It is now required under new accounting standards recently issued by the Governmental Accounting Standards Board (GASB) regarding pensions. This change artificially increases the District's revenue and expenditures when compared to fiscal years prior to 2014/15.
- The revenue includes \$768,800 of one-time state funding. Total ongoing state revenue, not including the one-time funds and STRS pass through monies, is \$2,485,767, or less than 6% of total revenues.
- The budget does not include projections to compensation increases other than step and column movement.
- Enrollment is projected to grow by another 85 students for 2016/17 and to reach 3,150 students by 2020/21.
- The combined increased District contribution into pension programs (STRS and PERS) adds almost \$560,000 in benefit costs in 2016/17. Cumulatively, from the

time the state legislated STRS increases beginning 2014/15 through 2020/21 when STRS rates will stabilize, this will be an added *ongoing* cost of approximately \$3 million.

The budget meets the required budget reserve levels per Board policy. However, the multi-year budget indicates large operating budget deficits starting in 2017/18. The increased deficit spending is a result of the loss of revenues from the 2010 Measure C parcel tax which sunsets June 2017 combined with continued expenditure increases from enrollment growth and personnel costs.

Two parcel taxes were placed before voters on May 3, 2016: a renewal of the 2010 Measure C parcel tax at its current level plus an additional parcel tax based on enrollment. While both of them received a majority vote, neither measure achieved the 2/3 "Yes" vote required for passage. The loss of potential funding from these parcel taxes creates a revenue shortfall of about **\$5.8 million** by 2020/21. The District is in the process of developing strategies to bridge this financial gap.

In this budget, staff has identified approximately \$900,000 in immediate opportunities to reduce expenditures and help address the long-term budget shortfall. However, additional reductions of about **\$4.9 million** of ongoing expenditures will be required through 2020/21. These measures may involve potential staff reductions from increased class sizes, changes to educational programs, department reorganizations, and/or compensation adjustments. The Board of Trustees may also consider additional revenue sources from parcel tax, grants, and donations to meet the needs of the District.

The process to evaluate further expenditure reductions or increases in revenue will require extensive engagement between the Board, staff, and community. Discussions regarding strategies to bridge the long-term budget shortfall will be held in future Board meetings. Changes to the budget from this process will be included with the First Interim Report which is slated for Board approval on December 13.

This report includes detailed information about the District's reserve levels, 2016/17 staff changes, review of revenue and expenditure assumptions, and key multi-year budget assumptions. The report also includes a discussion regarding proposed changes to the revenues and expenditure modeling for future budgets.

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, BP 3470(b), to target a reserve for economic uncertainties that equates to not less than two months of payroll, or about 20% of total expenditures, for the current year

and 10% of total expenditures in multi-year projections. This policy was developed from a report prepared by School Services of California which recommended this level of reserves for community funded school district of our size. 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 2016/17 Budget projects a reserve of 21.0% for the budget year, 18.4% for the first subsequent year (2017/18), and 12.7% for the second subsequent year (2018/19). This does not include Fund 17 parcel tax balances, which will be exhausted by 2018/19. The remaining balance in Fund 17 for 2018/19 of approximately \$375,000 is set aside for curriculum and instructional leaders.

The 2010 Measure C parcel tax expires June 30, 2017. Revenue generated from this parcel tax is removed in the multi-year projection for 2017/18 (approximately \$1.63 million). In anticipation of this loss of funding, the budget also includes immediate, ongoing reductions of approximately \$900,000 from the assumptions previously established for this year and reported with the 2015/16 Second Interim Report. The budget does not include projections for compensation increases other than step and column movement.

2016/17 Staffing Changes

Staffing changes for next year include an increase of 11.24 FTE since the 2015/16 Second Interim Report, as detailed below.

2016/17 Staffing Changes	General Education	Education Services	Special Education	MOT
Certificated:				
Teachers	3.29		0.20	
Teachers on Special Assignment		2.00		
Mental Health Therapist Coordinator <i>(position not filled/suspended)</i>			(1.00)	
Psychologist			0.20	
Classified:				
Instructional Aides/Para Educators	1.59		1.36	
Family Engagement Liaison <i>(grant funded)</i>		1.00		
Custodian				1.00
Bus Driver				1.00
Management:				
Curriculum Specialist		0.60		
Total Staffing Changes	4.88	3.60	0.76	2.00

Property Tax Revenue

On May 21, the San Mateo County Assessor's Office projected an increase in assessed property values of 6.24%. Although assessed value does not exactly correlate to tax amounts received, the 2016/17 Budget includes an increase of 6.25% in secured property tax, that portion of property tax generated from assessed values of land and structures. The District's first estimate from the San Mateo County Controller's Office of the actual property tax revenue for 2016/17 will be received in October. Changes in other forms of property tax will be adjusted as information is known.

Total local property tax revenue is projected to be \$27.24 million. Of this amount, \$25.5 million is from secured property tax. Secured property tax funds 57% of ongoing expenditures. Ongoing personnel costs account for 89% of the budget.

Assumptions regarding the multi-year projection for secured property tax remain unchanged from the prior practice of 5% in the first subsequent year and 3% per year thereafter. This model for projecting property tax growth is currently being reviewed. A projection model more reflective of a 10-year growth period that captures economic fluctuations is being considered. Any revisions to this model will also need to incorporate increases in expenditures with regards to compensation increases (over and above step and column movement) that are currently not included in the multi-year projection.

Parcel Tax Revenue

All parcel taxes have been adjusted for inflation by Consumer Price Index (CPI) for San Francisco Bay (April 2016, Bureau of Labor Statistics) of 2.7% for the 2016/17 Budget. Total parcel tax revenues are estimated at \$6.88 million, which funds 15.3% of total ongoing expenditures. Subsequent years in the multi-year projection include an estimated 2.5% CPI increase each year. The revenue generated from the 2010 Measure C parcel tax is removed in 2017/18, approximately \$1.63 million. This is a reduction equivalent to approximately 3.5% of the budget.

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. These funds are one time and cannot be assumed as permanent.

Brief History of One-Time State Funds	2013/14	2014/15	2015/16	2016/17
Common Core Implementation Grant	\$562,494			
Prop. 39, Clean Energy Act (5 year plan)	\$107,984	\$100,588	\$94,497	\$94,500
Discretionary/Mandate Reimbursement		\$187,393	\$1,534,450	\$674,300
Educator Effectiveness Grant			\$284,506	

The governor's May Revision of the 2016/17 State Budget includes another \$1.4 billion to K-12 schools in one-time discretionary funds to offset the backlog of mandated cost reimbursement claims. This will pay down the state's debt for outstanding claims by over \$5 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. No additional one-time state funds are included in the District's multi-year projection at this time.

Ongoing State Funds

As a community-funded district MPCSD receives very little in state funding. Total ongoing state revenues not including one-time funds and pass through of state STRS on behalf payments is \$2,485,767, or less than 6% of total revenues.

Total ongoing state funding including pass through of state STRS on behalf payments is \$4,417,788. The recording of state STRS payments made on behalf of District employees is a new accounting practice required by Governmental Accounting Standards Board (GASB) #68. It was implemented with the close of fiscal year 2014/15 for pension liability reporting included in the 2015 audit report. It is important to note that the District does not receive this funding. It is recorded as both a revenue and an expenditure with a net zero effect on the ending fund balance.

Comparison of revenues and expenditures before 2014/15 will be distorted by the amount of state STRS on behalf payments. It appears that the District's ongoing state funding has increased almost \$2 million since 2013/14, but this revenue is not available for operations. The other sources of state funds are detailed below which are available for operations. 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.

- \$835,000, Court-Ordered Voluntary Pupil Transfer (Tinsley) program – approximately 70% of Ravenswood City School District base funding, or approximately \$4,770 per student, for children 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 (Note that prior to the Great Recession of 2008 the District received almost \$2 million in state categorical programs.)
- \$580,000, 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

- \$514,040, Lottery funds – approximately 23% of these funds are restricted for instructional materials, the remainder is unrestricted
- \$79,700, 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)
- \$40,000, SELPA Mental Health Reimbursement

Federal Funds

The District receives \$620,779 in ongoing federal funds. The majority of these funds (\$513,495) 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.

Immediate Budget Reductions (Implemented 2016/17)

In order to address the loss of revenue from the 2016 Measure A and C parcel taxes, the budget includes approximately \$900,000 in immediate expenditure reductions as compared to the assumptions previously established for this year and reported with the 2015/16 Second Interim Report. These proposed ongoing reductions will be reevaluated as discussions ensue regarding the budget overall. The reductions come from the following areas (amounts rounded):

- \$320,000, salary savings
- \$90,000, Technology budget
- \$85,000, instructional materials
- \$100,000, set aside for book adoptions (unrestricted assigned fund balance)
- \$100,000, Student Services budget
- \$70,000, Maintenance budget
- \$75,000, reduced General Fund contribution to Routine Restricted Maintenance (RRM), per flexibility as allowed by the state through 2019/20 (Should a school facility bond pass on the November ballot all flexibility under this account will end and school districts will be required to budget the full 3% for RRM.)
- \$65,000, contracted services, non-essential overtime, and stipends
- \$22,000, or approximately 4%, reduction in utility cost through energy savings (net opening of new school)

As indicated in the executive summary above, the District will be evaluating further cost reductions to take place over the next two to five years that will include potential

staffing reductions from increased class sizes, educational programs, department reorganizations, and/or compensation adjustments to achieve the approximate **\$5.8 million** dollars of reductions by 2020/21. There will be extensive community engagement to discuss these options. Further expenditure reductions or additional revenues will be necessary to maintain the District's fiscal solvency.

Multi-Year Assumptions

The District is required to report financial projections for the two subsequent years (2017/18 and 2018/19). 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 61% 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 6.25% in secured property tax for 2016/17, 5% for 2017/18, and 3% for 2018/19. This property tax projection model is currently under evaluation. 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 23% of ongoing expenditures (15% and 8%, respectively). Parcel tax revenues are projected to increase by CPI each year and the MPAEF contribution remains unchanged in future years. The 2010 Measure C parcel tax sunsets June 2017 and is not included in fiscal year 2017/18 (approximately \$1.63 million). Any anticipated increases in MPAEF contributions for subsequent years will be revised during the First or Second Interim updates. (The First and Second Interim Reports are slated for Board approval on December 13 and March 14, respectively.)
- 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 2016/17, this revenue is expected to be approximately \$580,000. 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 have collected the requisite number of signatures to qualify for the November 2016 election. Those signatures are being reviewed and validated by local election officials for inclusion on the ballot. 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 the State Teachers' Retirement System (STRS) on behalf of local employees. A contribution (revenue) and expenditure of \$1.9 million are included in the 2016/17 Budget. The STRS on

behalf contribution and expenditure are also included in the 2015/16 Estimated Actuals (\$1.5 million) and subsequent years of the multi-year projection (~\$2 million, each year). Although there is no net effect on the ending fund balance, this accounting change will need to be taken into consideration when comparing historical data of revenue and expenditures prior to 2014/15.

- Additional revenue of \$123,750 per year from summer facility rentals has been included beginning 2016/17.
- Salary increases are *not* included in the multi-year projection other than regular step and column movement. This method of compensation projection modeling is currently under evaluation.
- Salary savings are incorporated assuming three teacher retirements and two teacher resignations per year.
- Mandatory increases in the employer contribution to the State Teachers' Retirement System (STRS) and Public Employees' Retirement System (PERS) are included as detailed below.

Employer Rate	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
STRS	8.25%	8.88%	10.73%	12.58%	14.43%	16.28%
PERS	11.44%	11.77%	11.85%	13.89%	15.50%	17.10%

Employee contribution rates are also increasing from 9.2% to 10.25% for pre-Public Employee Pension Reform Act employees and from 8.56% to 9.205% for post-Public Employee Pension Reform Act employees. No additional employee contribution rate increases are scheduled after 2016/17.

- An additional \$47,600 is added next year for utilities associated with the new school.
- Special Education costs are increased \$100,000 per year beginning 2017/18 and thereafter.

Conclusion

With the loss of the 2016 Measure A and C parcel taxes and the expiration of the 2010 Measure C parcel tax in the coming year, the District is faced with financial challenges at a time of continued enrollment growth and increased expenditures in personnel costs. Enrollment is projected to increase about 85 students in 2016/17, for a total of approximately 3,025. By 2020/21, the number of students is expected to exceed 3,150. During the same period, from 2015/16 to 2020/21, the District's contribution into STRS will increase from 10.73% to 19.1% and PERS will increase from 11.85% to ~20%. These increases in pension costs, alone, add more than \$500,000 each year to budgeted expenditures in the District's multi-year projection.

In the short term, the District can manage these financial challenges by drawing on its current reserve levels. However, with the loss of revenue from the 2010 Measure C parcel tax, the District will be deficit spending about \$2.3 million by 2017/18. This level of operating deficit is not manageable and the reserve level will fall below Board policy by 2019/18. These projections do not include increases in staff compensation that will grow the operating deficit in the current year, with a compounding effect in subsequent years.

In developing a revised budget for the Board to review before the First Interim Report, staff will be developing a long-range projection through fiscal year 2021/22. This will take the budget past the STRS rate increases mandated by AB 1469. The planning for this long range projection will include evaluating new models of property tax growth and compensation increases, as well as incorporating medium and long term cost reductions required to meet a balanced budget and Board reserve policy. All proposed expenditure reductions and revisions to budget modeling will be discussed with the Board of Trustees in open meetings that will allow for public comment. The First Interim Report is scheduled for Board approval on December 13.

Included in the 2016/17 Budget are the following reports:

- Summary of All Funds
- 2016/17 Personnel Allocation
- 2016/17 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
2016/17 Adopted Budget

	General Fund 01	Cafeteria 13	Deferred Maintenance 14	Special Reserve Other 17	Building Fund 21	Capital Facilities (Dev Fees) 25	Special Reserve Capital Outlay 40
Beginning Fund Balance	\$ 11,131,156	\$ 54,940	\$ 691,440	\$ 3,795,268	\$ 7,496,642	\$ 1,301,449	\$ 2,972,702
REVENUES:							
LCFF/Property Taxes	\$ 29,843,857	\$ -	\$ 643,750	\$ -	\$ -	\$ -	\$ -
Federal	620,779	114,000	-	-	-	-	-
Other State	3,339,561	6,100	-	-	-	-	-
Other Local	11,537,255	5,400	10,000	30,000	75,000	338,000	10,000
Total Revenues	\$ 45,341,452	\$ 125,500	\$ 653,750	\$ 30,000	\$ 75,000	\$ 338,000	\$ 10,000
EXPENDITURES:							
Certificated Salaries	\$ 23,989,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Classified Salaries	6,149,310	-	-	-	41,525	-	-
Employee Benefits	10,215,444	-	-	-	12,581	-	-
Books and Supplies	1,403,766	109,000	-	-	-	5,000	-
Services & Other Expenses	3,321,155	-	250,000	-	-	25,000	-
Capital Outlay & Other Outgo	317,050	-	-	-	7,179,658	1,150,000	2,864,364
Total Expenditures	\$ 45,396,340	\$ 109,000	\$ 250,000	\$ -	\$ 7,233,764	\$ 1,180,000	\$ 2,864,364
OTHER FINANCING SOURCES:							
Interfund Transfers In	\$ 1,697,568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund Transfers Out	-	20,000	-	1,677,568	-	-	-
TOTAL OTHER SOURCES	\$ 1,697,568	\$ (20,000)	\$ -	\$ (1,677,568)	\$ -	\$ -	\$ -
Net Incr/(Decr) to Fund Balance	\$ 1,642,680	\$ (3,500)	\$ 403,750	\$ (1,647,568)	\$ (7,158,764)	\$ (842,000)	\$ (2,854,364)
NET ENDING BALANCE:	\$ 12,773,836	\$ 51,440	\$ 1,095,190	\$ 2,147,700	\$ 337,878	\$ 459,449	\$ 118,338

MENLO PARK CITY SCHOOL DISTRICT
2016/17 ADOPTED BUDGET
PERSONNEL ALLOCATION

CERTIFICATED EMPLOYEES, GENERAL FUND

SUPERINTENDENT & ASSISTANT SUPERINTENDENT	2.00 FTE
DIRECTORS	2.00 FTE
COORDINATOR / PROGRAM SPECIALIST	1.60 FTE
PRINCIPALS & ASSISTANT PRINCIPALS	9.00 FTE
TEACHERS - GENERAL EDUCATION	166.12 FTE
TEACHERS - SPECIAL EDUCATION	17.10 FTE
TEACHERS - SPECIAL ASSIGNMENT / WELLNESS COORDINATOR	4.40 FTE
NURSES	1.40 FTE
LIBRARIANS	4.00 FTE
PSYCHOLOGISTS	4.80 FTE
COUNSELORS	5.00 FTE

TOTAL CERTIFICATED EMPLOYEES, GENERAL FUND	217.42 FTE
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CLASSIFIED EMPLOYEES, GENERAL FUND

CHIEF BUSINESS & OPERATIONS OFFICER	0.85 FTE
DIRECTORS	2.00 FTE
MANAGER / SUPERVISOR	2.00 FTE
COORDINATOR, SPECIAL EDUCATION	1.00 FTE
PARA EDUCATORS & ASSISTIVE TECH - SPECIAL EDUCATION	32.32 FTE
HEALTH SERVICE ASSISTANTS & LVN'S	3.28 FTE
INSTRUCTIONAL AIDES - GENERAL EDUCATION	14.00 FTE
OCCUPATIONAL THERAPISTS	2.00 FTE
PLAYGROUND SUPERVISORS	5.05 FTE
FAMILY ENGAGEMENT LIAISON	1.00 FTE
CLERICAL	17.13 FTE
TECHNOLOGY SUPPORT	5.00 FTE
MAINTENANCE & GROUNDS	3.75 FTE
CUSTODIANS	12.75 FTE
TRANSPORTATION	3.50 FTE

TOTAL CLASSIFIED EMPLOYEES, GENERAL FUND	105.63 FTE
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CLASSIFIED EMPLOYEES, BOND FUND

CHIEF BUSINESS & OPERATIONS OFFICER	0.15 FTE
CLERICAL	0.25 FTE

TOTAL CLASSIFIED EMPLOYEES, BOND FUND	0.40 FTE
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TOTAL FULL TIME EQUIVALENCIES (FTE)	323.45 FTE
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MENLO PARK CITY SCHOOL DISTRICT
GENERAL FUND PROJECTED YEAR TOTALS
2016/17 Adopted Budget

	Adopted Budget Summary Report	One-Time Sources/Uses	Adjusted Budget for Ongoing Operations
Beginning Fund Balance	\$ 11,131,156	\$ -	\$ 11,131,156
REVENUES:			
Local Control Funding Formula Sources			
Secured Property Tax	\$ 25,508,891	\$ -	\$ 25,508,891
Other Local Property Tax	1,730,103		1,730,103
State Aid (Minimum State Aid & Tinsley Revenue Transfer)	1,267,027		1,267,027
Education Protection Account (Prop. 30) - expires 2018/19	580,000		580,000
Special Education/SELPA Property Tax Transfer (Restricted)	1,401,586		1,401,586
Deferred Maintenance Transfer	<u>(643,750) ¹</u>	<u>-</u>	<u>(643,750)</u>
Sub-Total Local Control Funding Formula Sources	\$ 29,843,857	\$ -	\$ 29,843,857
Federal Revenue	620,779		620,779
Other State Revenue (Mandated Costs, Lottery, Other One-Time)	3,339,561 ²	(768,800) ³	2,570,761
Local Revenue - Parcel Taxes	6,875,056 ⁴		6,875,056
Local Revenue - Menlo Park Atherton Education Foundation	3,600,000		3,600,000
Local Revenue - Other (Local Grants, Interest, PTO, Transp., Etc.)	<u>1,062,199</u>	<u>(250,000) ⁵</u>	<u>812,199</u>
Total Revenue	\$ 45,341,452	\$ (1,018,800)	\$ 44,322,652
EXPENDITURES:			
Salaries & Benefits			
Certificated Salaries	\$ 23,989,615	\$ (203,863)	\$ 23,785,752
Classified Salaries	6,149,310	(75,299)	6,074,011
Employee Benefits	<u>10,215,444 ⁶</u>	<u>(66,031)</u>	<u>10,149,413</u>
Sub-Total Salaries & Benefits	\$ 40,354,369	\$ (345,193) ⁷	\$ 40,009,176
Books & Supplies	1,403,766	(49,858) ⁸	1,353,908
Services & Operating Expenditures	3,321,155	(185,805) ⁸	3,135,350
Capital Outlay	-		-
Other Outgo - OPEB Contribution	130,000		130,000
Other Outgo - Special Ed Tuition to Other Public Agencies	<u>187,050</u>	<u>-</u>	<u>187,050</u>
Total Expenditures	\$ 45,396,340	\$ (580,856)	\$ 44,815,484
NET OPERATING SURPLUS/(DEFICIT) - Revenue Less Expenditures	\$ (54,888)	\$ (437,944)	\$ (492,832)
Transfers In	\$ 1,697,568	\$ -	\$ 1,697,568
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase(Decrease) in Fund Balance	\$ 1,642,680	\$ (437,944)	\$ 1,204,736
Projected & Adjusted Ending Fund Balance	\$ 12,773,836		\$ 12,335,892

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 Includes \$1,932,021 State STRS On Behalf, an accounting change required per GASB 68 to recognize the State contribution paid directly to STRS on behalf of District employees. (Funds not received by the District.) It is recorded as an offsetting revenue and expenditure with no net effect on the ending fund balance. This change was implemented with the 2014/15 Unaudited Actuals and included on an ongoing basis with the 2015/16 Estimated Actuals for all years going forward.
- ³ One-time Mandate/discretionary funding (\$674,300) and 4th of 5 years of the Prop. 39, Clean Energy, grant (\$94,500)
- ⁴ Prior to the 2014/15 First Interim Budget Report, Parcel Tax revenue was reported in Fund 17.
- ⁵ 1st of 3 year Eustace-Kwan grant (\$250,000)
- ⁶ Includes \$1,932,021 State STRS On Behalf (see footnote #2 above)
- ⁷ Final year of Tech coaches (\$190,103); 1st of 3 years Family Engagement Liaison (\$64,565); Other Kwan grant salaries & benefits (\$90,525)
- ⁸ Final year of increased professional development (\$46,253); Prop. 39, Clean Energy, grant (\$94,500); Kwan grant (\$94,910)

MENLO PARK CITY SCHOOL DISTRICT
GENERAL FUND VARIANCE SUMMARY
2015/16 Estimated Actuals

	2015-16 Adopted	2015-16 First Interim	2015-16 Second Interim	2015-16 Est. Actuals	Increase/(Decrease) Est. Actuals
Beginning Fund Balance	\$ 8,965,946	\$ 9,186,853	\$ 9,186,853	\$ 9,186,853	\$ -
REVENUES:					
LCFF Sources (Property Tax & State Aid)	\$ 28,035,283	\$ 28,274,584	\$ 28,364,444	\$ 28,323,074	\$ (41,370) ¹
Federal Revenue	610,726	698,184	693,922	691,287	(2,635)
Other State Revenue	1,159,100	2,283,335	2,565,348	4,090,671	1,525,323 ²
Menlo Park Atherton Education Foundation	3,600,000	3,600,000	3,600,000	3,600,000	-
Parcel Tax Revenue	6,700,983	6,694,312	6,694,312	6,694,312	-
Other Local Revenue	646,965	795,983	808,523	998,610	190,087 ³
Total Revenue	\$ 40,753,057	\$ 42,346,398	\$ 42,726,549	\$ 44,397,954	\$ 1,671,405
EXPENDITURES:					
Certificated Salaries	\$ 23,523,749	\$ 23,306,487	\$ 23,256,252	\$ 23,235,224	\$ (21,028)
Classified Salaries	5,707,334	5,793,071	5,767,300	5,735,217	(32,083)
Employee Benefits	7,252,578	7,240,570	7,194,518	8,656,252	1,461,734 ⁴
Books and Supplies	1,917,067	1,849,904	1,767,375	1,730,014	(37,361)
Services and Operating Expenditures	3,029,477	3,614,983	3,778,831	3,803,956	25,125
Capital Outlay	-	174,160	199,160	199,160	-
Other Outgo	265,000	290,000	285,600	332,550	46,950 ⁵
Total Expenditures	\$ 41,695,205	\$ 42,269,175	\$ 42,249,036	\$ 43,692,373	\$ 1,443,337
OTHER FINANCING SOURCES/USES:					
Transfers In	1,340,781	1,215,723	1,238,722	1,238,722	-
Transfers Out	-	-	-	-	-
Increase/(Decrease) Fund Balance	\$ 398,633	\$ 1,292,946	\$ 1,716,235	\$ 1,944,303	\$ 228,068
Projected Ending Fund Balance	\$ 9,364,579	\$ 10,479,799	\$ 10,903,088	\$ 11,131,156	\$ 228,068

Estimated Actuals Footnotes:

¹ Reduce Total Estimated Property Tax Revenue (\$19,481); Reduce Special Ed SELPA Funding (\$31,579); Increase EPA \$9,690

² Include State STRS On Behalf \$1,525,359

³ Increase Site Deposits/Donations \$110,087; Increase Facility Use Rental Income \$65,000; Increase Transportation Income \$15,000

⁴ Include State STRS On Behalf \$1,525,359; Reduce Projected Health & Welfare Costs (\$49,716); Other Benefit Reductions (\$13,909)

⁵ Increase Special Education Tuition to Other Public Schools \$46,950 -- Shift Budget from Other Line Items

MENLO PARK CITY SCHOOL DISTRICT
MULTI-YEAR PROJECTION
2016/17 Adopted Budget

	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)	\$ 26,922,358	\$ 1,400,716	\$ 28,323,074	\$ 28,442,271	\$ 1,401,586	\$ 29,843,857	\$ 29,698,466	\$ 1,422,610	\$ 31,121,076	\$ 30,482,096	\$ 1,443,949	\$ 31,926,045
Federal Revenue	-	691,287	691,287	-	620,779	620,779	-	630,779	630,779	-	640,779	640,779
Other State Revenue	2,027,845	2,062,826	4,090,671	1,156,600	2,182,961	3,339,561	482,300	2,244,997	2,727,297	482,300	2,200,233	2,682,533
Other Local Revenue	4,138,440	7,154,482	11,292,922	4,227,199	7,310,056	11,537,255	4,227,199	5,815,485	10,042,684	4,227,199	5,949,997	10,177,196
Total Revenues	\$ 33,088,643	\$ 11,309,311	\$ 44,397,954	\$ 33,826,070	\$ 11,515,382	\$ 45,341,452	\$ 34,407,965	\$ 10,113,871	\$ 44,521,836	\$ 35,191,595	\$ 10,234,958	\$ 45,426,553
EXPENDITURES:												
Certificated Salaries	\$ 15,388,358	\$ 7,846,866	\$ 23,235,224	\$ 15,588,211	\$ 8,401,404	\$ 23,989,615	\$ 15,753,486	\$ 8,480,923	\$ 24,234,409	\$ 16,058,022	\$ 8,555,041	\$ 24,613,063
Classified Salaries	3,006,642	2,728,575	5,735,217	3,190,655	2,958,655	6,149,310	3,282,596	3,016,706	6,299,302	3,318,333	3,066,906	6,385,239
Employee Benefits	4,563,819	4,092,433	8,656,252	5,208,208	5,007,236	10,215,444	5,749,814	5,381,799	11,131,613	6,340,319	5,758,742	12,099,061
Books & Supplies	963,466	766,548	1,730,014	763,753	640,013	1,403,766	763,753	655,613	1,419,366	763,753	671,713	1,435,466
Operating Expenses	2,060,207	1,743,749	3,803,956	1,916,068	1,405,087	3,321,155	2,046,673	1,374,482	3,421,155	2,091,673	1,379,982	3,471,655
Cap Outlay & Other Outgo	309,160	222,550	531,710	130,000	187,050	317,050	130,000	187,050	317,050	130,000	187,050	317,050
Total Expenditures	\$ 26,291,652	\$ 17,400,721	\$ 43,692,373	\$ 26,796,895	\$ 18,599,445	\$ 45,396,340	\$ 27,726,322	\$ 19,096,573	\$ 46,822,895	\$ 28,702,100	\$ 19,619,434	\$ 48,321,534
NET OPERATING SURPLUS/(DEFICIT)	\$ 6,796,991	\$ (6,091,410)	\$ 705,581	\$ 7,029,175	\$ (7,084,063)	\$ (54,888)	\$ 6,681,643	\$ (8,982,702)	\$ (2,301,059)	\$ 6,489,495	\$ (9,384,476)	\$ (2,894,981)
TRANSFERS & CONTRIBUTIONS:												
Transfers In	\$ 263,205	\$ 975,517	\$ 1,238,722	\$ 269,184	\$ 1,428,384	\$ 1,697,568	\$ 275,422	\$ 1,110,226	\$ 1,385,648	\$ 281,147	\$ 146,103	\$ 427,250
Transfers Out			-			-			-			-
Contributions to Restricted	(5,452,926)	5,452,926	-	(5,630,366)	5,630,366	-	(7,872,476)	7,872,476	-	(9,238,373)	9,238,373	-
Net Transfers & Contributions	\$ (5,189,721)	\$ 6,428,443	\$ 1,238,722	\$ (5,361,182)	\$ 7,058,750	\$ 1,697,568	\$ (7,597,054)	\$ 8,982,702	\$ 1,385,648	\$ (8,957,226)	\$ 9,384,476	\$ 427,250
Increase/(Decrease) Fund Balance	\$ 1,607,270	\$ 337,033	\$ 1,944,303	\$ 1,667,993	\$ (25,313)	\$ 1,642,680	\$ (915,411)	\$ -	\$ (915,411)	\$ (2,467,731)	\$ -	\$ (2,467,731)
Beginning Fund Balance	8,105,851	1,081,002	9,186,853	9,713,121	1,418,035	11,131,156	11,381,114	1,392,722	12,773,836	10,465,703	1,392,722	11,858,425
Ending Fund Balance	\$ 9,713,121	\$ 1,418,035	\$ 11,131,156	\$ 11,381,114	\$ 1,392,722	\$ 12,773,836	\$ 10,465,703	\$ 1,392,722	\$ 11,858,425	\$ 7,997,972	\$ 1,392,722	\$ 9,390,694

Assigned Balances (from Unrestricted):

1.5% Prop Tax & Genentech Reserve	\$ 472,000		\$ 425,000		\$ 402,000		\$ 414,000	
Instr Materials & Unrestr Lottery	821,045		821,045		821,045		821,045	
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	
Facilities/Transportation	100,000		100,000		100,000		100,000	
Total Assigned Balances	\$ 2,090,610		\$ 1,869,909		\$ 1,846,909		\$ 1,858,909	
Reserve for Economic Uncertainty	17.4%	\$ 7,622,511	21.0%	\$ 9,511,205	18.4%	\$ 8,618,794	12.7%	\$ 6,139,063

Fund 17, Special Reserve

Interest Income	\$ 30,000		\$ 20,000		\$ 10,000		\$ 5,000
Less Transfers Out, to General Fund	1,218,661		1,677,568		1,365,648		407,250
Increase/(Decrease) Fund Balance	\$ (1,188,661)		\$ (1,657,568)		\$ (1,355,648)		\$ (402,250)
Beginning Fund Balance	\$ 4,978,929		\$ 3,790,268		\$ 2,132,700		\$ 777,052
Fund 17, Special Reserve, Ending Balance	\$ 3,790,268		\$ 2,132,700		\$ 777,052		\$ 374,802

(Assigned Ending Fund Balance)

Menlo Park City School District
 Restatement of Reserves
 2016/17 Adopted 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 2016/17 Budget, General Fund Reserve for Economic Uncertainties, with a restatement of the reserves to include assigned balances in the General Fund and Fund 17.

	2016-17	2017-18	2018-19
Restatement of Reserves			
Total Expenditures & Transfers Out	\$ 45,396,340	\$ 46,822,895	\$ 48,321,534
3% Minimum Reserve Level Required by the State	\$ 1,361,890	\$ 1,404,687	\$ 1,449,646
Fund 01, General Fund, Excess Reserve for Economic Uncertainties, Not Including Assigned Fund Balances	8,149,315	7,214,107	4,689,417
Total Fund 01, General Fund, Reserve for Economic Uncertainties -- Reported in 2016/17 Budget	\$ 9,511,205	\$ 8,618,794	\$ 6,139,063
Total Fund 01, General Fund, Reserve for Economic Uncertainties As a Percentage of Total Expenditures	21.0%	18.4%	12.7%
Fund 01, General Fund, Unrestricted Assigned Balances	\$ 1,869,909	\$ 1,846,909	\$ 1,858,909
Fund 17, Special Reserve Fund, Assigned Balances	2,132,700	777,052	374,802
Total Restatement of Reserves to Include Assigned Balances in Fund 01 and Fund 17	\$ 13,513,814	\$ 11,242,755	\$ 8,372,774
Total Restatement of Reserves As a Percentage of Total Expenditures	29.8%	24.0%	17.3%
Amount of Restated Reserves in Excess of 3% Minimum	\$ 12,151,924	\$ 9,838,068	\$ 6,923,128
Reasons for Reserves in Excess of State Minimum			
Fund 01, General Fund, Excess Reserve for Economic Uncertainties, per Board Policy 3470(b)	\$ 8,149,315	\$ 7,214,107	\$ 4,689,417
Fund 01, General Fund, Unrestricted Assigned Balances:			
1.5% Property Tax & Genentech Reserve	\$ 425,000	\$ 402,000	\$ 414,000
Book Adoptions - Instructional Materials & Unrestricted Lottery Balances	821,045	821,045	821,045
Carryover from Foundation & Site Grants	25,864	25,864	25,864
Technology Reserves for New School	300,000	300,000	300,000
Strategic Directions	198,000	198,000	198,000
Facilities/Transportation	100,000	100,000	100,000
Total Fund 01, General Fund, Unrestricted Assigned Balances	\$ 1,869,909	\$ 1,846,909	\$ 1,858,909
Fund 17, Special Reserve Fund, Assigned Balances:			
Curriculum Coordinators (Previously Learning Leaders)	\$ 876,371	\$ 630,949	\$ 374,802
Combined Measure A & B Parcel Tax Balances (Restricted)	1,256,329	146,103	-
Total Fund 17, Special Reserve, Fund Assigned Balances	\$ 2,132,700	\$ 777,052	\$ 374,802
Combined Excess Reserve for Economic Uncertainties and Assigned Fund Balances	\$ 12,151,924	\$ 9,838,068	\$ 6,923,128

Menlo Park City School District

Budget Assumptions

2016-17

- Revenue
 - LCFF/Property Tax Sources
 - 6.25% Property tax growth on secured taxes
 - \$30,140, or 3.7%, increase in Tinsley revenue transfer
 - 0% COLA increase on Spec Ed/SELPA property tax transfers
 - \$25,000 Spec Ed/SELPA High Cost Pool reimbursement (ongoing)
 - \$580,000 Proposition 30, Education Protection Account funds
 - 3% increase in Deferred Maintenance transfer (\$643,750 total)
 - Federal & Other State
 - \$1,932,021 pass-through of state contribution to STRS on behalf of district employees (Other State Revenue)
 - \$674,300 one-time discretionary funds for mandate reimbursement backlog
 - \$94,500 one-time Prop. 39, Clean Energy Act, funding (4th of 5 years)
 - Other Local
 - \$123,750 increase in facilities rentals from summer camps (ongoing)
 - 2.7% CPI on Parcel Taxes
 - \$3.6M contribution from Menlo Park Atherton Education Foundation
 - \$250,000 Eustace-Kwan grant (1st of 3 years)
 - \$85,000 Sequoia Healthcare District grant
- Expenditure
 - Salaries & Benefits
 - Does not include salary increases other than step & column advancements
 - \$1,932,021 pass-through of state contribution to STRS on behalf of district employees (STRS expenditure)
 - 11.24 FTE increase in staffing (since 2015/16 Second First Interim)
 - 2.0 FTE Certificated – enrollment growth
 - 2.0 FTE Certificated – teachers on special assignment
 - 0.69 FTE Certificated – net, one-time addition as a deferred response to past growth and new school
 - 2.59 FTE Classified – one-time addition as a deferred response to past growth and new school
 - 1.36 FTE Classified – net add to Spec Ed para professionals for growth
 - 1.0 FTE Classified – family engagement liaison (grant funded)
 - 1.0 FTE Classified – additional transportation staff
 - 0.6 FTE Administration – curriculum specialist coordinator

- 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 \$440,770 over prior year (~\$1.01M cumulative since 2013-14, effect of AB 1469 STRS funding plan)
- 2.04% increase in PERS employer rate (from 11.85% to 13.89%), approx. increase of \$118,750 over prior year (~\$138,400 cumulative since 2013-14)
- Other
 - \$73,500 reduction in Sequoia Union High School busing contract
 - \$90,000 decrease in Technology non-personnel budget since prior projection
 - \$85,000 decrease in instructional materials
 - Approx. \$100,000 decrease in Special Education non-personnel budget (not including \$50,000 reduction in outside nursing services to be provided under two LVN positions, salaries and benefits)
 - Approx. \$70,000 decrease in Maintenance non-personnel budget
 - Maintain RRM at 2015/16 level, per flexibility allowed in the program through 2019/20 (savings of approx. \$75,000)
 - \$40,000 reduction in contracted services
 - \$45,600 added for utility cost associated with new school (reduced from prior projection of \$50,000)
 - \$17,722 decrease in utility costs for all other sites since prior projection
 - Eliminate \$100,000 increase in assignments for future book adoptions

2017-18

- Revenue
 - LCFF/Property Tax Sources
 - 5% Property tax growth on secured taxes
 - 1.5% COLA increase on Spec Ed/SELPA property tax transfers
 - \$580,000 Proposition 30, Education Protection Account funds
 - 3% increase in Deferred Maintenance transfer (\$663,000 total)
 - Federal & Other State
 - \$1,994,057 pass-through of state contribution to STRS on behalf of district employees (Other State Revenue)
 - Remove \$674,300 in one-time discretionary funds for mandate reimbursement backlog
 - Maintain \$94,500 one-time Prop. 39, Clean Energy Act, funding (5th of 5 years)

- \$10,000 increase in Spec Ed Federal IDEA grants
 - Other Local
 - 2.5% CPI on Parcel Taxes
 - Remove revenue generated from the 2010 Measure C parcel tax (\$1,625,802)
 - \$3.6M contribution from Menlo Park Atherton Education Foundation
 - \$250,000 Eustace-Kwan grant (2nd of 3 years)
 - \$85,000 Sequoia Healthcare District grant
- Expenditure
 - Salaries & Benefits
 - Does not include salary increases other than step & column advancements
 - \$1,994,057 pass-through of state contribution to STRS on behalf of district employees (STRS expenditure)
 - 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 \$441,600 over prior year (~\$1.45M cumulative since 2013-14, effect of AB 1469 STRS funding plan)
 - 1.61% increase in PERS employer rate (from 13.89% to 15.5%), approx. increase of \$96,100 over prior year (~\$234,500 cumulative since 2013-14)
 - Other
 - \$15,600, or 3%, increase in Technology non-personnel 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 2015/16 level, per flexibility allowed in the program through 2019/20 (savings of approx. \$95,000)
 - Eliminate \$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

- \$580,000 Proposition 30, Education Protection Account funds (final year)
 - 3% increase in Deferred Maintenance transfer (\$682,900 total)
 - Federal & Other State
 - \$2,043,793 pass-through of state contribution to STRS on behalf of district employees (Other State Revenue)
 - \$94,500 reduction of one-time Prop. 39, Clean Energy Act, funding
 - \$10,000 increase in Spec Ed Federal IDEA grants
 - Other Local
 - 2.5% CPI on Parcel Taxes
 - \$3.6M contribution from Menlo Park Atherton Education Foundation
 - \$250,000 Eustace-Kwan grant (3rd of 3 years)
 - \$85,000 Sequoia Healthcare District grant
- Expenditure
 - Salaries & Benefits
 - Does not include salary increases other than step & column advancements
 - \$2,043,793 pass-through of state contribution to STRS on behalf of district employees (STRS expenditure)
 - 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 \$445,200 over prior year (~\$1.9M cumulative since 2013-14, effect of AB 1469 STRS funding plan)
 - 1.60% increase in PERS employer rate (from 15.5% to 17.1%), approx. increase of \$96,700 over prior year (~\$331,200 cumulative since 2013-14)
 - Other
 - \$16,100, or 3%, increase in Technology non-personnel budget
 - Approx. 1.6% increase in total Special Education budget for CPI/growth (\$100K)
 - 3% increase in utilities/services
 - Maintain RRM at 2015/16 level, per flexibility allowed in the program through 2019/20 (savings of approx. \$115,000)
 - \$94,500 reduction of one-time Prop. 39, Clean Energy Act, expenditures
 - Eliminate \$100,000 increase in assignments for future book adoptions