

MPCSD HISTORY

October 2016 New Laurel School Upper Campus Opens

Construction was completed on the new Laurel Upper School Campus serving grades 3rd to 5th. The new school increased the District's capacity to handle student growth and better balance existing elementary school enrollment at Encinal and Oak Knoll Schools. The school is state-of-the-art with features that support collaborative learning while being extremely efficient and environmentally friendly.

2015 Loss of Lease Rental Income

In 2015, the District ended its lease with the German American International School at the "O'Connor" school site. The site was needed to build a new school by the District to handle current and projected enrollment growth. The District's annual lease for that school site was about \$350,000 annually.

2015 Pension Cost Increases (STRS/PERS)

MPCSD participates in the State Teachers' Retirement System (STRS). Contribution rates for STRS are fixed in statute. Assembly Bill 1469 was enacted in fiscal year 2014/15 to increase the employer rate for STRS from 8.25% (2013/14) to 19.1% (2020/21). See CalSTRS 2014 Funding Plan. The District also participates in the Public Employees' Retirement System (PERS) for non-certificated employees. PERS rates are determined by the Board of Administration each year and are also expected to increase over the next several years

2014 Local Control Funding Formula (LCFF)

LCFF is the new State funding model implemented fiscal year 2013/14. It replaced the prior State funding model of revenue limits and most State categoricals. (As a result of LCFF, "basic aid" districts are now referred to as community-funded districts, and "revenue limit" districts are referred to as State-funded districts.) For MPCSD, this change resulted in a permanent reduction of approximately \$1.5 million in State funding from the loss of categorical dollars.

2013 Proposition 30/2016 Proposition 55, Education Protection Account

Proposition 30 provides funding from the temporary increase in State taxes approved by voters in 2012 and set to expire in 2018. MPCSD received about \$580,000 from this source in fiscal year 2016/17. Proposition 55 was passed in November 2016, extending

the increase on personal tax for incomes over \$250,000 for another 12 years, which will continue to provide the District the same level of State funding.

2013 Measure W, Facilities Bond

In November 2013, the voters approved \$23 million in bonds for the construction of the new Laurel School Upper Campus. The proceeds from the sale of these bonds, as well as the related expenditures, are accounted for in the Building Fund (Fund 21). The collection and repayment of the bond financing instruments are handled by the San Mateo County Treasurer. The District does not have access to these accounts (Bond Interest and Redemption Fund, Fund 51).

2013 Redevelopment Agency (RDA) Dissolution

Redevelopment Agencies (RDAs) were dissolved in 2012 due to State budget constraints. RDAs gave cities, and sometimes counties, the ability to capture a greater share of property taxes for purposes of combating blight. The dissolution of RDA results in more property tax dollars available for schools and other property tax recipients, potentially reducing the State's obligation by billions of dollars for State-funded school districts. The dismantling of this multibillion-dollar program is complicated and will take many years to unwind. The average funding received over the last three years, 2014/15 to 2016/17, was about \$400,000 per year.

2010 Measure C, Parcel Tax

On May 4, 2010, 76.2% of District voters authorized a parcel tax (Measure C) to maintain small class sizes, fund teachers and educational programs. Measure C is a seven-year parcel tax that sunsets June 30, 2017. The revenue generated from this parcel tax in fiscal year 2016/17 was approximately \$1.6 million, with a rate of \$206.82 per parcel. The final year for revenue generated from this parcel tax was 2016/17.

2008-2013 Great Recession

State revenue limit funding for K-12 education was cut approximately 20% throughout the Great Recession. Because basic aid districts did not receive State aid through revenue limits, State categorical funding was cut proportionally for those districts. This was referred to as "fair share" reductions. The State intended to restore the fair share cuts made to basic aid categorical funds as revenue limit funding was restored. However, the Local Control Funding Formula (LCFF) school finance reform of 2013/14 eliminated revenue limits and most categorical programs. LCFF "holds harmless" all districts at 2012/13 funding levels and redistributes new monies according to the formula. This reduces basic aid districts' State categorical funds by a permanent cut.

Where MPCSD had received almost \$2 million in categorical funding before the recession, the District now receives \$432,027 under LCFF (an amount that will never increase).

2006 Measure U, Facilities Bond

In June 2006, the voters approved \$91.1 million in bonds to expand and modernize the District's schools. Approximately \$20.7 million in State matching funds were utilized for these facility improvement projects. The proceeds from the sale of these bonds, as well as the related expenditures, are accounted for in the Building Fund (Fund 21). The collection and repayment of the bond financing instruments are handled by the San Mateo County Treasurer. The District does not have access to these accounts (Bond Interest and Redemption Fund, Fund 51).

2003 Measure A (Renewal) & B, Parcel Taxes

On November 4, 2003, 80.9% of District voters approved a measure to renew an existing parcel tax (Measure A) to maintain smaller class sizes for all students. In addition, 77.4% of District voters approved a new parcel tax (Measure B) to restore programs lost due to State budget cuts, including funding for remedial math and reading, textbooks and materials, and to provide for teacher professional development. The revenue generated from these parcel taxes in fiscal year 2016/17 was approximately \$1.8 million (combined), with rates of \$129.34 per parcel for Measure A and \$97.34 per parcel for Measure B.

2000 MPCSD Becomes Basic Aid

Before 2013/14, districts were labeled "basic aid" when local property taxes exceeded the per-pupil State funding model. These districts no longer received State aid under revenue limit funding other than the minimum constitutional guarantee of \$120 per average daily attendance, called "basic aid." It is important to note that the funding from the guarantee was essentially eliminated in fiscal year 2003/04. The terminology changed from basic aid to "community-funded" with implementation of the Local Control Funding Formula (LCFF) in 2013/14.

2017 Measure X, Parcel Tax

On March 7, 2017, 79.1% of District voters authorized a parcel tax (Measure X) to retain high-quality teachers, excellent programs, and reasonable class sizes. The measure authorized the District to levy the tax at the initial rate of \$360 per year on

each parcel of taxable real property in the District beginning in 2017/18. Measure X is a seven-year parcel tax that sunsets on June 30, 2024.

2000 Measure A, Parcel Tax

On April 11, 2000, 74.7% of District voters authorized a parcel tax to improve children's academic performance, reduce class size, improve teacher quality, and expand courses. The revenue generated from this parcel tax in fiscal year 2016/17 was approximately \$3.5 million, with a rate of \$441.06 per parcel.

2015 Parcel Tax Revenue

Beginning fiscal year 2014/15, all parcel tax revenue is reported in the General Fund. Prior to 2014/15, parcel tax revenue was reported in the Capital Facilities Fund (Fund 25) and transferred in total to the Special Reserve Fund (Fund 17). It was then transferred to the General Fund as needed.

2015 State STRS On Behalf Reporting

Beginning fiscal year 2014/15, the State contribution paid to the State Teachers' Retirement System (STRS) on behalf of local employees is reported as both a revenue and an expense in the General Fund. Although the net effect on the fund balance is zero (essentially just a pass-through), it distorts both revenue and expense when comparing recent years to those prior to 2014-15.

2015 Deferred Maintenance Transfer

The Deferred Maintenance Program was repealed with the Local Control Funding Formula (LCFF) school finance reform of fiscal year 2013/14. However, the California Department of Education (CDE) allowed the Deferred Maintenance Fund (Fund 14) to remain open for districts to continue tracking those expenditures. With this change in classification, the CDE recommended that districts no longer record contributions to this fund as an interfund transfer, or expenditure, from the General Fund, but as a direct transfer of LCFF revenue. MPCSD implemented this change in 2014/15. This results in a reduction of both revenue and expense (interfund transfers) when comparing recent budget years with those before 2014/15. The Deferred Maintenance transfer for 2016/17 was \$643,750.

2014-2018 State Funding, One-Time/Limited-Time Grants

- Common Core Implementation Grant (FY 2013/14), \$562,494 for professional development, instructional materials, and technology
- Proposition 39, Clean Energy Act (FY 2013/14 to FY 2017/18), approximately \$100,000 per year for five years to be used to increase energy-saving projects
- Educator Effectiveness Grant (FY 2015/16), \$284,506 for professional development

2014-2017 State Funding, Mandated Costs Backlog

In fiscal year 2015/16, MPCSD received an unprecedented \$1.53 million of State funding to pay down outstanding amounts owed for mandated cost reimbursements. It has been a priority for Governor Brown to reduce this “wall of debt” beginning in 2014/15, and MPCSD received its first payment of about \$188,000 that year. Although a fourth round of approximately \$425,300 was paid in 2017/18, this debt is expected to be substantially paid. Of the \$1.53 million received in 2015/16, the District spent about \$565,000 on one-time expenditures and set aside, or assigned, the remainder (about \$970,000) for future expenditures of a one-time nature rather than use it for ongoing operations. See 2015/16 Unaudited Actuals, “Summary of One-Time Funds” on page 9.

2014 Transfer of \$1M to California Employers’ Retiree Benefit Trust (CERBT) Account

In fiscal year 2013/14, the District opened a trust account with CalPERS to prefund retiree health and welfare obligations. Before 2013/14, the District held these funds in the Special Reserve Fund for Other Post Employment Benefits (Fund 20). In order to transfer these funds to CERBT, the District had to first transfer the funds into the General Fund, which artificially increased expenditures by \$1 million for 2013/14.

2013 Redevelopment Agency (RDA) Asset Distribution:

In fiscal year 2012/13 (the second year of distribution of these funds), the District received over \$1 million in RDA funds, primarily from the one-time dissolution of assets. Most of this was transferred to other funds for facilities purposes (for example, Deferred Maintenance projects and construction of the new school).

2011 Transfer of \$1.3M from General Fund to Special Reserve Fund (Fund 17)

Approximately \$1.3 million from General Fund reserves was transferred to the Special Reserve Fund (Fund 17) as a set-aside for Learning Leaders/Curriculum Coordinators to support classroom teachers and student learning in subsequent years.

2009 Lehman Brothers Investment Loss

MPCSD cash accounts are held and invested by the San Mateo County Treasurer. Unfortunately, the County Treasurer had invested some of the funds with Lehman Brothers, which filed for bankruptcy in September 2008. All local agencies with funds in the County Treasurer lost money as a result. The District's investment loss totaled almost \$4 million across all funds, of which about \$3.3 million was from Measure U bond sales (Fund 21). Portions of these losses have been recovered through the bankruptcy process. See OpenGov report: Lehman Brothers Investment Loss & Subsequent Recovery Payments. The County has implemented new investment procedures and oversight to avoid this type of loss in the future