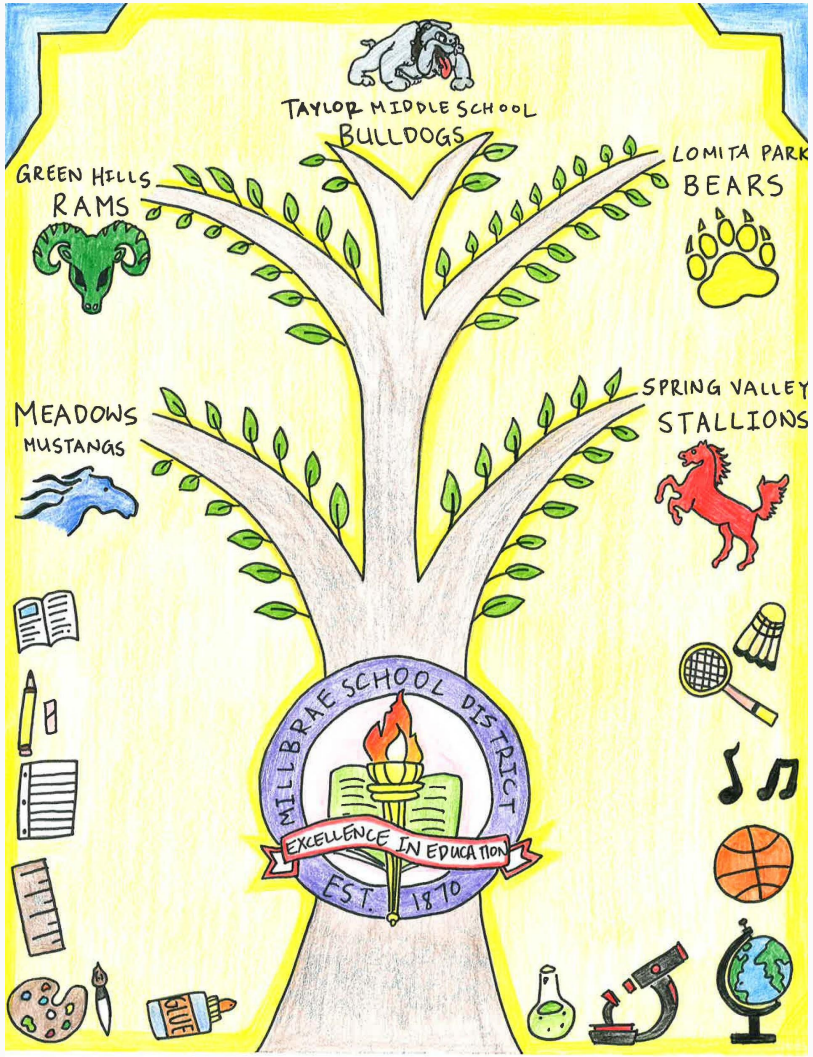


Millbrae School District
2nd Interim Report - Fiscal Year 2018/19

Board of Trustees

Frank Barbaro
Denis Fama
Lynne Ferrario
Maggie Musa
D. Don Revelo

Administration

Vahn Phayprasert, Superintendent
Richard Champion, Chief Business Official
Claire Beltrami, Asst Superintendent, Ed Ser.
Anita Allardice, Director of Special Education

Business Office

Denice LaCroix, Supervisor of Business Srvc
Amy Liu, Accounting Technician
Angela Smith, Admin Asst to CBO

Outcomes

- Disclosure and Background on Certifications for Interim Reports
- 2nd Interim Reporting
- Multi-Year Projection (MYP)
- Impact of Measure N
- Next Steps and Guidance
- Board Action on Certification

Disclosure

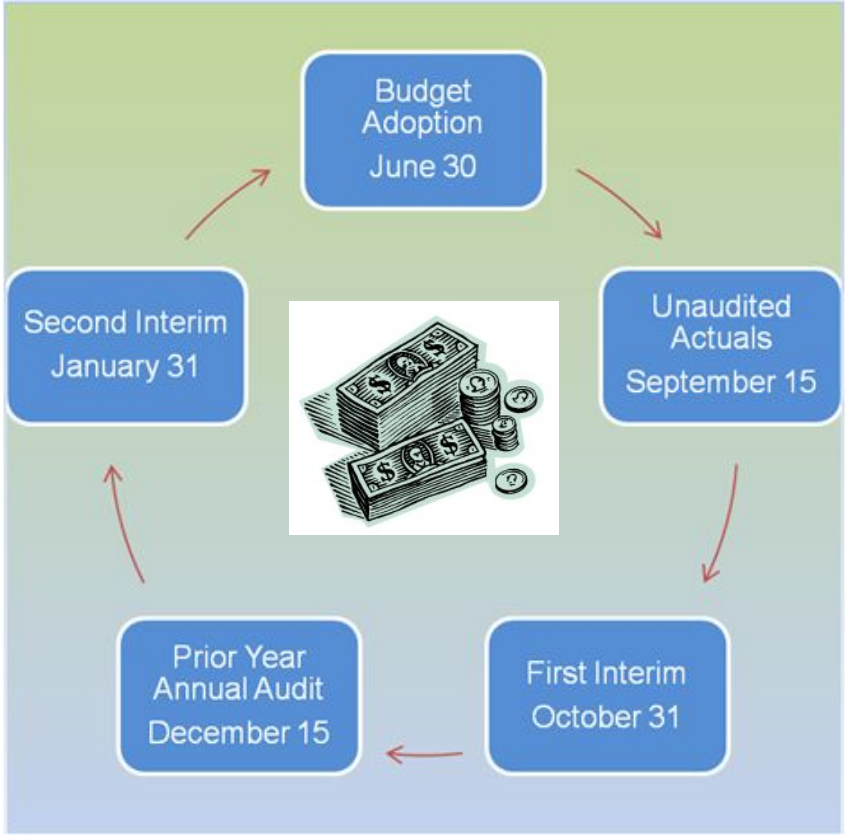
Education Code 42300 requires California school districts to report its financial data twice a year. This report is referred to as the "Interim Report." The First Interim Report shall reflect changes to the board approved budget from July 1, 2018 through January 31, 2019.

The objectives of reports are:

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

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

Financial Reporting Period



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

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

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

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

There are three financial certification that a district issue:

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

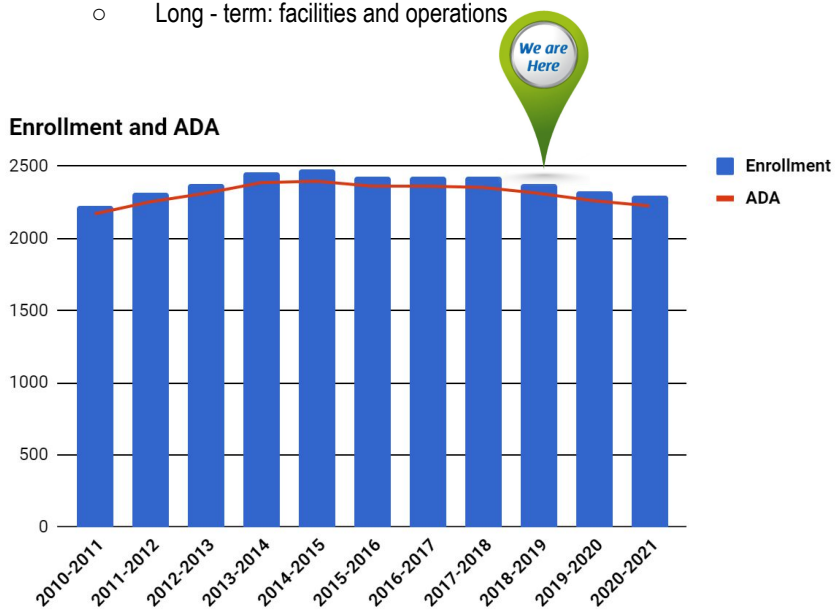
Enrollment vs. Average Daily Attendance (ADA)

March 19, 2019

2nd Interim Report FY 2018-19

Focus on Students

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



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

ADA is measured at three points in the year:

•P1 – Daily Attendance counts first 4 months (Sept-Dec)

•P2 - Daily Attendance counts first 8 months (Sept-Apr)

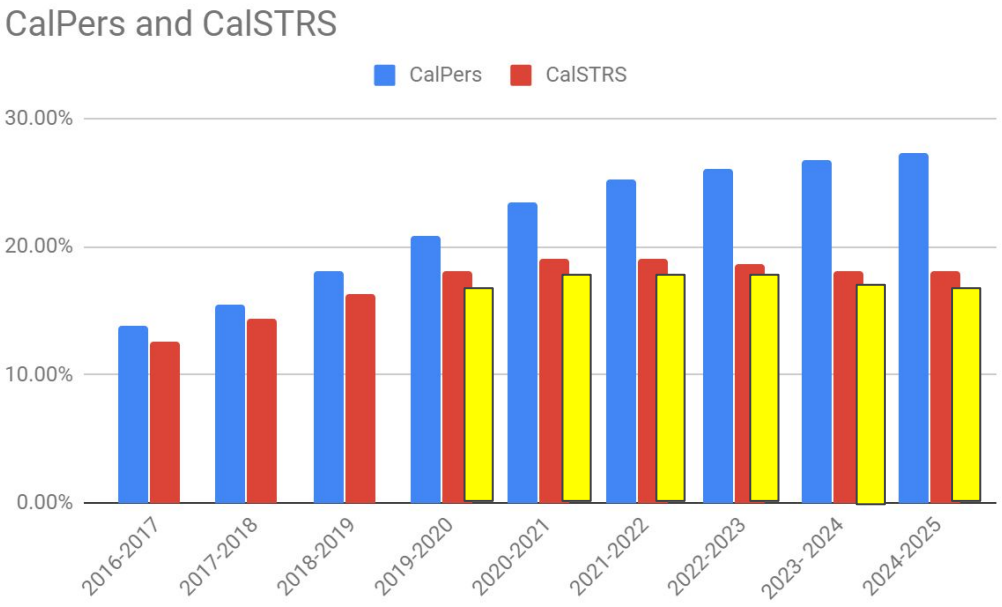
•Annual – Daily Attendance counts for fiscal year

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

CalPERS + CalSTRS

The Governor's Proposed Budget for 2019-20 includes a two-part proposal to provide CalSTRS relief for school employers.

- Providing immediate relief of $700 million from one-time, non-Prop. 98 funds to be applied over two years. This will reduce the employer's projected rate by 1.03% in 2019-20 and by 1% in 2020-21.
- Providing $2.3 billion to buy down the employer's unfunded liability, again using one-time non-Prop. 98 funds. The impact of this buy-down is expected to reduce employer contribution rates by 0.5% on an ongoing basis. However, beginning in 2021-22, the CalSTRS Board has the authority to increase (or decrease) the employer contribution rate (with some restrictions) to fully fund the CalSTRS unfunded liability by 2046.



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

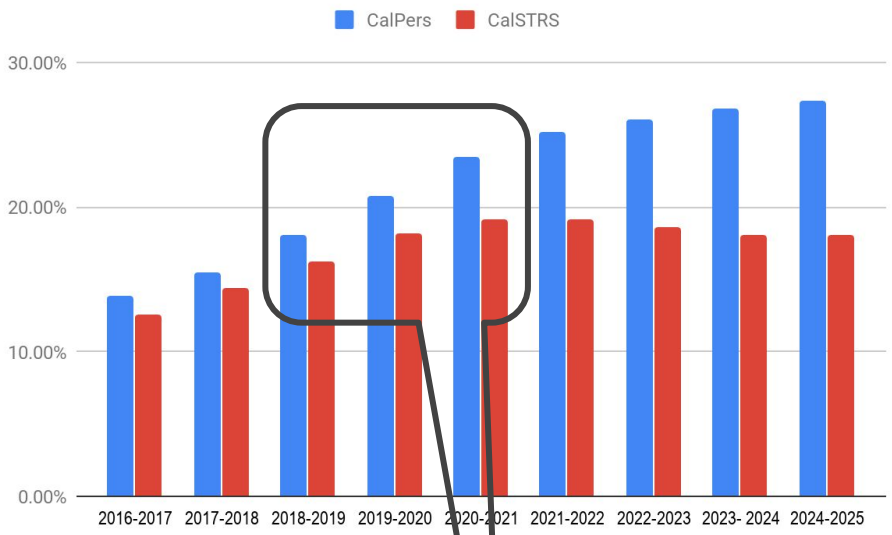
CalPERS + CalSTRS

March 19, 2019

2nd Interim Report FY 2018-19

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

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



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

Cost Increase per year

2018/19 $310,810

2019/20 $322,812

2020/21 $215,635

2nd Interim - Fiscal Year 2018/19

How We Get Our Money

March 19, 2019

2nd Interim Report FY 2018-19

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

The money comes from the State (LCFF)

–*Income and sales* taxes

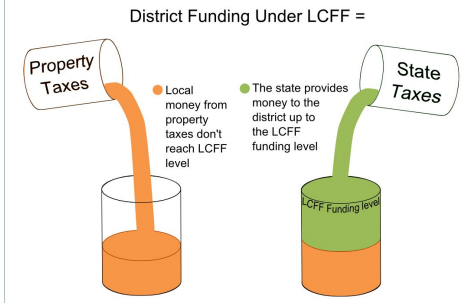
–Local property taxes

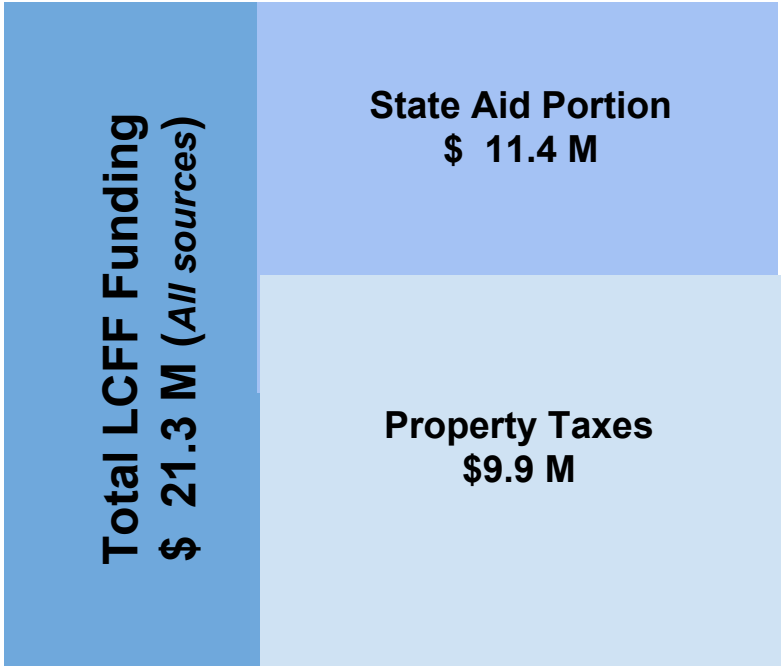
–Miscellaneous local income, fees, interest, donations

–California State Lottery

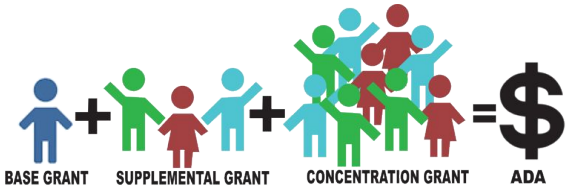
- Each new student brings more funding to a district.
- Declining enrollment districts lose funding.
- Changes in local property tax is offset by state aid funds

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

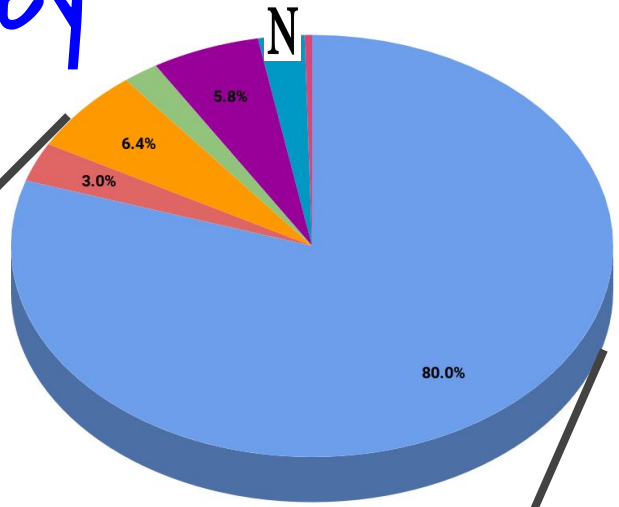




How We Get Our Money



ADA	39%	N/A



- LCFF Sources $21,340,927
- Federal Revenue $799,199
- Other State Revenue $1,701,589
- Lottery $510,828
- Other Local Revenue $1,548,801
- Measure N $663,577
- Transfers $106,318

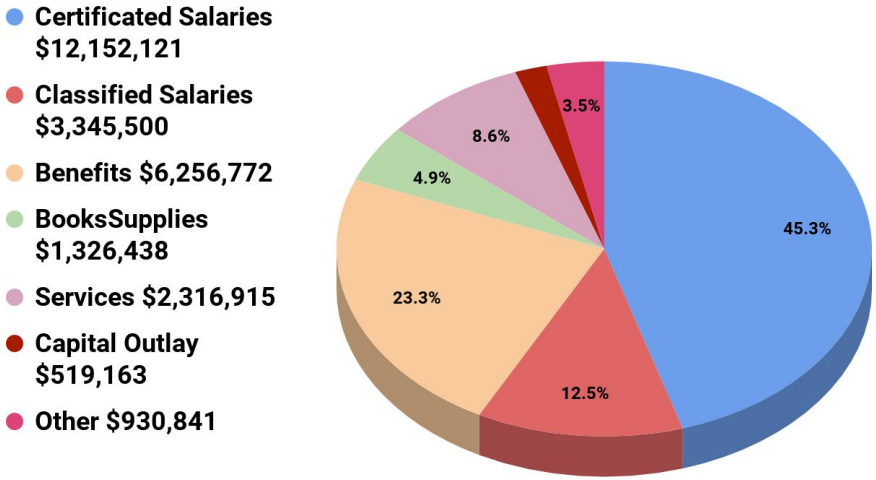
	Budget	1st Interim	**2nd Interim**
Revenues:	**$25,245,093**	**$26,445,466**	**$26,564,911**
Unrestricted	*$21,767,836*	*$21,659,924*	*$21,720,157*
Restricted	*$3,477,257*	*$4,785,542*	*$4,844,754*

How We Spend

March 19, 2019

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

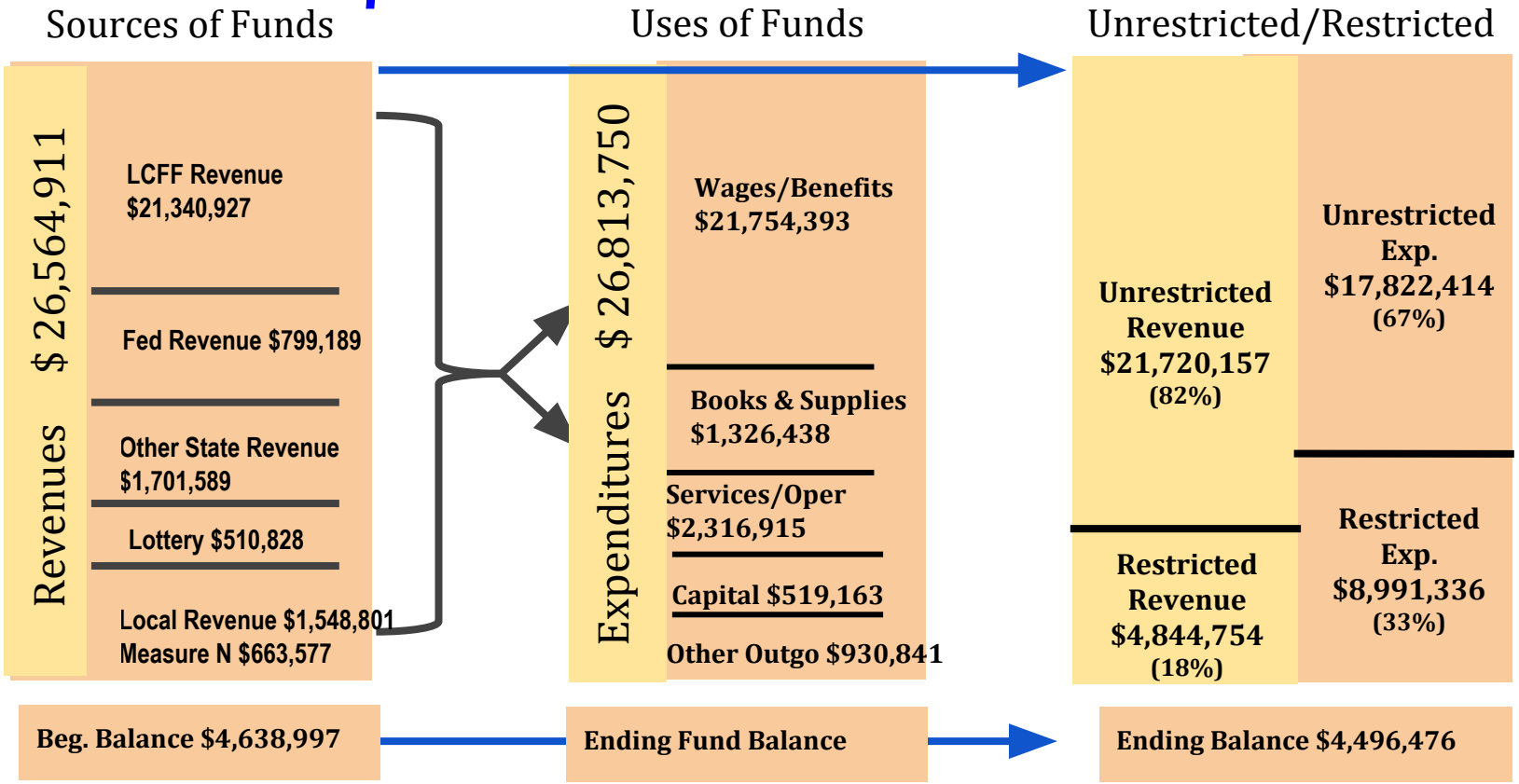
Typically between 82% of every General Fund dollar is used for salary and benefits.



2nd Interim Report FY 2018-19

	Budget	1st Interim	2nd Interim
Expenditures:	**$25,245,093**	**$26,445,466**	**$26,813,750**
Wages/Benefits	*$21,688,261*	*$21,844,749*	*$21,754,393*
Books/Supplies	*$ 485,179*	*$ 1,263,073*	*$1,326,438*
Services/Ops	*$ 2,488,495*	*$ 2,274,289*	*$2,316,915*
Capital Outlay	*$ 0*	*$ 519,163*	*$519,163*
Other	*$ 731,258*	*$ 916,410*	*$930,841*

How the Money Flows



March 19, 2019

2nd Interim Report FY 2018-19

Ending Fund Balance

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

March 19, 2019

2nd Interim Report FY 2018-19

Projected 2018/19 Ending Fund Balance	$4,496,475	*"Notes behind the numbers""*
Revolving Cash	$2,500	Revolving Cash
Insurance/Supplement	$79,219	Ins Deductible $20,000: Supplemental Expenses $59,219
Committed	$48,197	Board Resolution on Facility debt paydown
1-Time (Curriculum & Tech. 18/19 Funds)	$435,022	This Fiscal Year 1-time funding $184 per ADA
Assigned - 19/20 DEFICIT	$305,219	Projected deficit for Fiscal Year 2019-20
Assigned - 20/21 DEFICIT	$562,493	Projected deficit for Fiscal Year 2020-21
Designation for Econ. Uncert. 0.5% of Exp (B. Policy)	$134,018	Board Policy: 17% Reserves - 0.5% of Expenditures
3% Required Reserve	$805,014	Required: (Note: approx. 2 weeks of payroll)
Unassigned EFB	$2,124,794	Unappropriated

Multi-Year Projections (MYP)

March 19, 2019

2nd Interim Report FY 2018-19

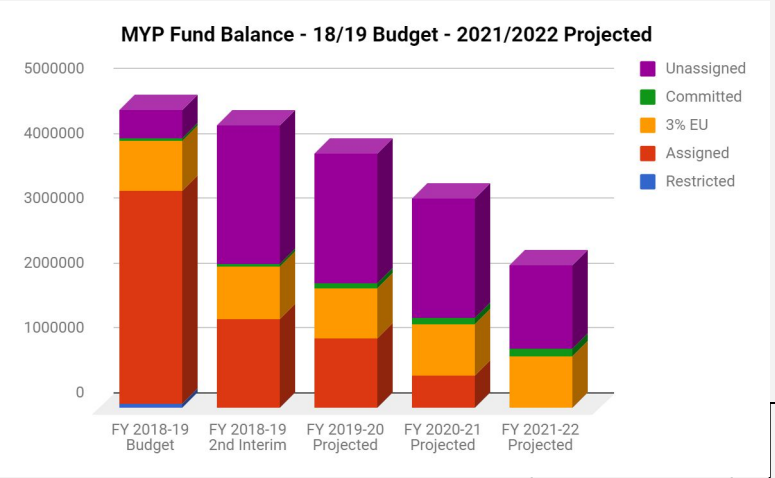
MYP

	Current Year	Projected	Projected
	2018/19	2019/20	2020/21
LCFF	$21,340,927	$21,596,522	$21,663,497
Federal	$799,189	$671,969	$671,969
Other State	$2,212,417	$1,787,563	$1,782,563
Local Revenue	$2,212,378	$1,663,675	$1,651,825
Transfers	$126,318	$86,298	$80,995
Total Revenues	**$26,691,229**	**$25,806,027**	**$25,850,849**
Certificated Salaries	$12,152,121	$12,272,870	$12,383,379
Classified Salaries	$3,345,500	$3,558,300	$3,604,455
Employee Benefits	$6,256,772	$6,834,408	$7,118,079
Books and Supplies	$1,326,438	$553,282	$554,018
Services and Operating	$2,316,915	$1,988,548	$2,023,658
Capital Outlay	$519,163	$0	$0
Other Outgo	$930,841	$917,748	$733,753
Transfers Out/Indirect	-$16,000	-$14,000	-$14,000
Total Expenditures	**$26,831,750**	**$26,111,156**	**$26,403,342**
Increase/Decrease in Fund Balance	**-$140,521**	**-$305,129**	**-$552,493**

Factors	FY 2018-19	FY 2019-20	FY 2020-21
Instructional Days	180	180	180
Professional Growth	2 Days Inside Calendar	2 Days Inside Calendar	2 Days Inside Calendar
LCFF Funding	100%	100%	100%
COLA - LCFF only	3.70%	3.46%	2.86%
COLA - Non LCFF	2.71%	3.46%	2.86%
Enrollment	2,381	2,328	2,292
ADA (97%)	2,312.78	2,261.37	2,225.38
Unduplicated	39%	39%	38%
1-Time/ADA	$184.00	$0.00	$0.00
Lottery-U ADA	$151.00	$151.00	$151.00
Lottery-R ADA	$53.00	$53.00	$53.00
STRS	16.28%	18.13%	19.10%
PERS	18.062%	20.80%	23.50%

MYP - Multi Year Plan

Planning for our future



		FY 2018-19 Budget		FY 2018-19 2nd Interim		FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected
Non Spendable		$2,500		$2,500		$2,500	$2,500	$2,500
Restricted		$72,441		$0		$0	$0	$0
Assigned		$3,287,814		$1,381,953		$1,072,296	$512,536	$0
3% EU		$761,376		$805,014		$783,337	$792,100	$800,000
Add'l EU (BP)		$0		$134,018		$263,598	$394,544	$524,544
Committed		$48,197		$48,197		$74,495	$95,490	$115,000
Unassigned		$423,887		$2,124,794		$1,995,031	$1,831,594	$1,286,720
Ending Fund Balance		**$4,596,215**		**$4,496,476**		**$4,191,257**	**$3,628,764**	**$2,728,764**

Budget adjustments WILL BE necessary to maintain fiscal solvency!!

Impact of Measure N

Impact of Measure N

	With				With Out			
	FY 2018-19 2nd Interim	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2018-19 2nd Interim	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected
	Year 1 Measure N	Year 2 Measure N	Year 3 Measure N	Year 4 Measure N	Year 1 Measure N	Year 2 Measure N	Year 3 Measure N	Year 4 Measure N
Net Rev Less Exp.	-$142,521	-$305,219	-$562,493	-$900,000	-$663,577	-$930,219	-$1,187,493	-$1,525,000
Beginning Fund Balance	$4,638,997	$4,496,476	$4,191,257	$3,628,764	$4,638,997	$3,975,420	$3,045,201	-$1,187,493
Non Spendable	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500
Restricted	$0	$0	$0	$0	$0	$0	$0	$0
Assigned	$1,381,953	$1,072,296	$512,536	$0	$1,381,593	$1,072,296	$512,536	$0
3% EU	$805,014	$783,337	$792,100	$800,000	$805,014	$783,337	$792,100	$800,000
Add'l EU (BP)	$134,018	$263,598	$394,544	$524,544	$134,018	$263,598	$394,544	$524,544
Committed	$48,197	$74,495	$95,490	$115,000	$48,197	$74,495	$95,490	$115,000
Unassigned	$2,124,794	$1,995,031	$1,831,594	$1,286,720	$1,604,098	$848,975	$60,538	-$1,525,000
Ending Fund Balance	$4,496,476	$4,191,257	$3,628,764	$2,728,764	$3,975,420	$3,045,201	$1,857,708	-$2,712,493

Summary - Restricted Funds

Fund Descriptions and Ending Fund Balances (Projected)

	Budget	1st Interim	2nd Interim	
Fund 13 **Ending Fund Balance**	$145,060	**$134,085**	**$134,485**	Cafeteria Fund *(Child Nutrition Fund)* *Restricted*
Fund 19 **Ending Fund Balance**	$ 51,184	**$ 51,184**	**$51,684**	Foundation Special Revenue Fund *(Special Donations)* *Restricted*
Fund 20 **Ending Fund Balance**	$2,010,814	**$2,010,177**	**$2, 030,177**	Special Reserve for Other Post-Employment Benefits *(OPEB)* *Restricted*
Fund 25 **Ending Fund Balance**	$1,273,814	**$1,254,815**	**$1,288,814**	Capital Facility Fund *Assigned*
Fund 40 **Ending Fund Balance**	$12,536,787	**$12,188,367**	**$12,101,041**	Special Reserve Fund *(Proceeds from sale of 1 Alp Way-Capital Projects) Assigned/Restricted*
Fund 51- County				Bond Interest & Redemption Fund *(Measures X & N)*

Next Steps & Guidance

Guidance from San Mateo County Office of Education

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

The Unaudited Actuals Report will be presented to the Board in September of 2019

Budget and LCAP approval letter dated September 14, 2018

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

Certification

Certification

- **Positive Certification**: The District **WILL MEET** their financial obligations for the current and two (2) subsequent fiscal years, OR

- **Qualified Certification**: The District **MAY NOT MEET** their financial obligations for the current or two (2) subsequent fiscal years, OR

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

RECOMMENDATION

It is recommended that the Board:

1. Forward a **POSITIVE CERTIFICATION** to the County Superintendent that the District can meet its financial obligations through the end of the fiscal year and for the subsequent two years, along with the budget revisions listed in the projected year totals.
2. Approve the budget revisions listed in the projected year totals.

Questions?
Comments?
Suggestions?