2024-25 FIRST INTERIM REPORT

December 18, 2024 Presentation

Board of Trustees

- Derek Grasty
- Antonio Perez, Jr.
- Brenda M. Serrano
- Melissa Got-Lopez
- Robert Ramirez

Superintendent
Dr. Elida MacArthur

Presented by: Tracy Huynh
Chief Business Officer

Presentation Items

- Acronym Table
- Background
- District Budget Update
- Revenue Reduction-Three Key Factors
- General Fund Revenues and Expenditures
- Multi-Years Projections (before and after)
- The Impact
- Summary
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Acronym Table

Acronym	Meaning
ADA	Average Daily Attendance
BO	Business Office
CALPADS	California Longitudinal Pupil Achievement Data System
COLA	Cost-of Living Adjustment
DO	District Office
ELO-G	Expanded Learning Opportunity Grant
ELO-P	Expanded Learning Opportunity Program
ESSER	Elementary & Secondary School Relief
EVSTA	East Valley Schools Tranportation
FTE	Full-time equipvalent
GEER	Governor's Emergency Education Relief
HR	Human Resources
IDC	Indirect Costs
LCFF	Local Control Funding Formula
LEA	Local Educational Agency
LLM	Learning Loss Mitigation
P-1, P-2, P-A	Period 1, 2 or Annual (to submit the students Attendance Reports)
Para	Paraprofessional
PERS	California Public Employees' Retirement System (CALPERS)
SELPA	Special Education Local Plan Areas
STRS	State Teacher Retirement System
TOSA	Teacher on Special Assignment

Background

- School Districts are required to submit a First Interim Budget to their County Office of Education (COE) by mid-December every year.

- First Interim Budget is assigned either a Positive, Qualified, or Negative Certification by the COE
  - Positive: the district will meet its financial obligations (positive balance with 3% State required minimum reserve) for the current fiscal year and subsequent two fiscal years
  - Qualified: the district may not meet its financial obligation for the current fiscal year or two subsequent fiscal year
  - Negative: The district will be unable to meet its financial obligations in all three years

MPESD First Interim Report Status

- The First Interim Report has a deficit in spending for the subsequent years.
- Santa Clara County will approve the First Interim Report as positive, with the condition that the District has a Financial Stabilization Plan approved by the Board.
- MPESD Board has authorized the District to form a Budget Advisor Committee to formulate a budget-balancing plan for 2024-25 and 2025-26.
- The First of the four Budget Advisory Committee Meetings was held on 12/10/24.
- The Superintendent will bring the final recommendation to the Board for approval.

District Budget Update

First Interim compared to Adopted Budget

- First Interim itemized for the actual expenditures that increased the Total Expenses and decrease the Ending Balance.
- Due to the reporting set up, the Adopted Budget accounted some of those expenses as a lump sum.

General Fund - Unrestricted and Restricted Summary

Revenues	Adopted Budget	First Interim	Difference
LCFF Source	$ 21,483,446	$ 22,284,106	$ 800,660
Federal Revenue	$ 1,022,795	$ 1,222,177	$ 199,382
Other State Revenue	$ 10,154,313	$ 9,695,785	$ (458,528)
Local Revenue	$ 1,831,578	$ 2,807,120	$ 975,542
TOTAL REVENUES	**$ 34,492,132**	**$ 36,009,188**	**$ 1,517,056**
Expenses			
Certificated	$ 13,917,613	$ 13,870,585	$ (47,028)
Classified	$ 6,321,195	$ 7,559,967	$ 1,238,772
Benefits	$ 9,181,665	$ 10,030,236	$ 848,571
Operating Expenses	$ 7,228,533	$ 11,191,418	$ 3,962,885
TOTAL EXPENSES	**$ 36,649,006**	**$ 42,652,206**	**$ 6,003,200**
Excess/Deficit	**$ (2,156,874)**	**$ (6,643,018)**	**$ (4,486,144)**

Beginning Fund Balance	$ 10,519,057	$ 10,519,057
Other Financing Resources	1,475,250	2,056,524
Ending Balance	**$ 9,837,433**	**$ 5,932,563**

Revenues

The Three Key Factors Behind Revenue Reductions

- Ongoing decline in enrollment: MPESD has been experiencing declining enrollment over the past decade. As a result, the unrestricted general fund revenues that are dependent on student attendance are annually getting smaller.

- LCFF funded COLA decreased significantly: The Cost-of-Living-Adjustment (COLA) which funds the Local Control Funding Formula (LCFF) significantly decreased from 8.22% in 2023-24 to 1.07% in the 2024-25 fiscal year.

- One-time funds fully spent: All the one-time restricted funds will be fully spent by 2025.

The Three Key Factors Behind Revenue Reductions

First Key Factor:
Ongoing Decline in Enrollment

Historical Data for Average Daily Attendance (ADA) and Enrollment

ADA	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 Estimated	Total change since 2018-19
P2	2,153.23	2,031.27	1,876.54	1,602.26	1,515.26	1,458.11	1,463.09	
ADA Change-P2	(105.95)	(121.96)	(154.73)	(274.28)	(87.00)	(57.15)	4.98	(796.09)
% Change-P2	-4.69%	-5.66%	-7.62%	-14.62%	-5.43%	-3.77%	0.34%	-35.24%

CALPADS Enrollment	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 Estimated	Total change since 2018-19
Total Enrollment	2,243	2,120	1,941	1,718	1,642	1,547	1,520	
Change	(79)	(123)	(179)	(223)	(76)	(95)	(27)	(802)
% Change	-3.40%	-5.48%	-8.44%	-11.49%	-4.42%	-5.79%	-1.75%	-35.76%
Total Attendance Rate	96.00%	95.81%	96.68%	93.26%	92.28%	94.25%	96.26%	

- The month-1 Attendance report has been used to estimated for the ADA in 2024-25.
- The Enrollment count was based on the CALPADS report which has not yet certified.
- Over the past six years, the district has lost a total of 802 students (35.76%)

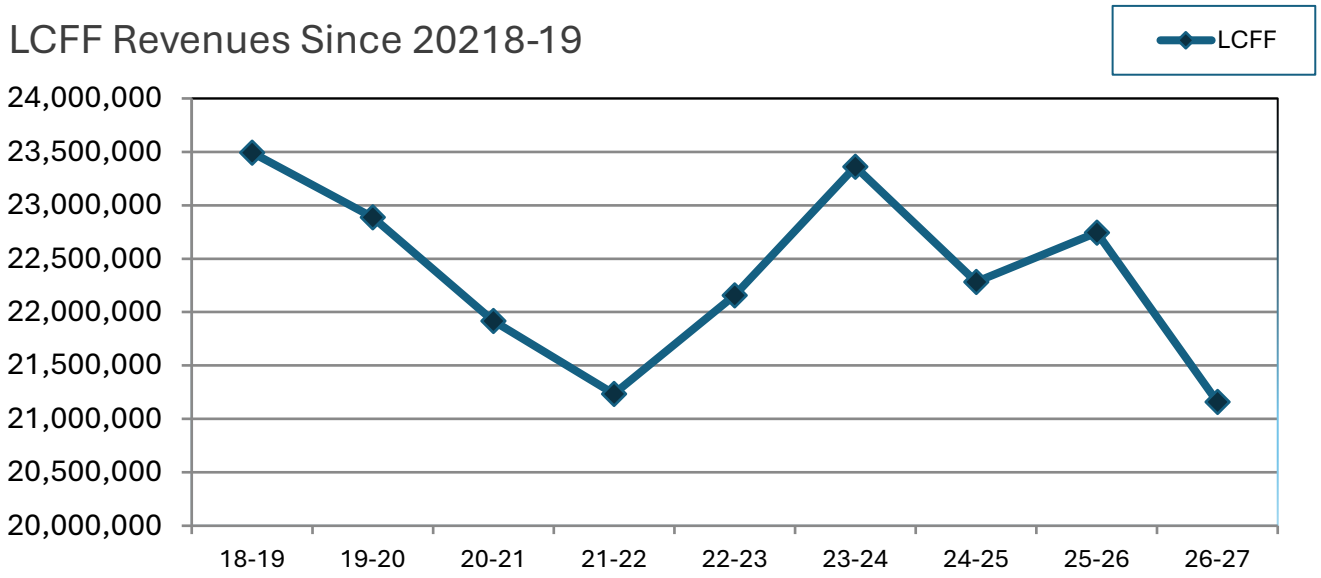
Second Key Factor:
LCFF Funded COLA Decreased Significantly

Fiscal Year	2019-20	2020-21	2021-22	2022-23	2023-24	Estimated 2024-25	Estimated 2025-26	Estimated 2026-27
Period	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Budget
COLA	3.26%	2.31%	1.70%	6.56%	8.22%	1.07%	2.46%	3.08%
Augmentation	0.00%	-2.31%	3.37%	6.70%	0.00%	0.00%	0.00%	0.00%
Funded COLA	**3.26%**	**0.00%**	**5.07%**	**13.26%**	**8.22%**	**1.07%**	**2.46%**	**3.08%**

- Prior to the pandemic, the Cost-of-Living-Adjustment (COLA) was around a 3% to 4%.
- In 2020-21, the Local Control Funding Formula (LCFF) received zero percent of the COLA
- Starting in fiscal year 2021-22 the COLA increased to 5.07% and during the next two years, it significantly increased to 13.26%, and then 8.22%, respectively.
- After these three large increases, the COLA dropped to 1.07% in 2024-25. This abrupt reduction does not allow MPESD enough time to adjust the spending trend.
- 2025-26 COLA reduced by 0.47% from 2.93% at budget adoption

The Three Key Factors Behind Revenue Reductions

Second Key Factor:
LCFF Funded COLA Decreased Significantly (Continue)



The State Cost-of-Living-Adjustment (COLA) for 2024-25 is 1.07%. However, due to the impact of the decline in enrollment and reduction of COLA, the District's local COLA is a negative 3.95% or $916,061.

The Three Key Factors Behind Revenue Reductions

Third Key Factor:
One-Time Funds Will be Fully Spent by 2025

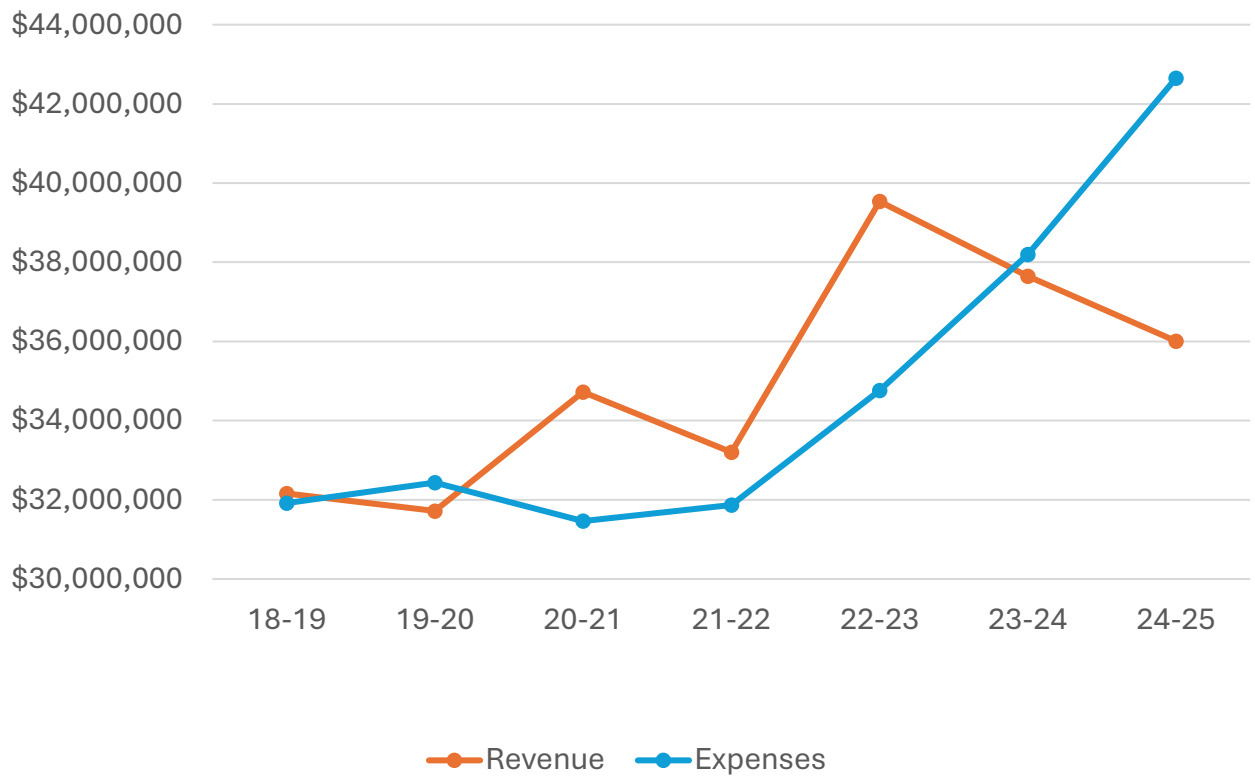
Resource	Description	Allocation	Funded	Fully Spent
3210	ESSER I	371,374	2019-20	2020-21
3212	ESSER II	1,322,772	2020-21	2021-22
3213	ESSER III	2,378,810	2021-22	2023-24
3214	ESSER III - Learning Loss	594,703	2021-22	2023-24
3215	GEER-Learning Loss	135,703	2021-22	2021-22
3216	ESSER II - State Reserve	220,304	2020-21	2022-23
3217	GEER II - State Reserve	50,562	2020-21	2022-23
3218	ESSER III-State Reserve	143,612	2022-23	2023-24
3219	ESSER III, Learning Loss - State Reserve	247,564	2022-23	2023-24
3220	Cornavirus Relief Fund	1,866,915	2019-20	2020-21
3225	ESSER III-Summer Learning	120,000	2022-23	2023-24
6266	Educator Effectiveness	346,909	2021-22	2024-25
6762	Arts, Music, and Instructional Materials Grant	529,218	2023-24	2024-25
7028	Kitchen Insfrastructure Fund-2021	67,482	2021-22	2023-24
7032	Kitchen Infrastructure and Training Funds -2022	197,163	2022-23	2024-25
7388	COVID-19 LEA Response Funds	36,714	2020-21	2021-22
7420	Learning Loss Mitigation	193,699	2020-21	2020-21
7422	In-Person Instruction	791,578	2020-21	2022-23
7425	Expanded Learning Opportunities (ELO) Grant	686,562	2020-21	2023-24
7426	ELO Grant: Paraprofessional Staff	147,623	2020-21	2023-24
7435	Learning Recovery Emergency Block Grant	2,443,016	2022-23	2024-25
Total, Restricted Balance		**$ 12,892,283**		

The Three Key Factors Behind Revenue Reductions

Third Key Factor:
One-time Funds Fully Spent By 2025 (Continued)

- Since the pandemic, (2019-20), the federal and state governments provided districts with restricted one-time funds.
- MPESD utilized these funds to overcome the COVID challenges and support the district's financial crisis, such as:
  - Coordinate preparedness and response efforts related to COVID-19
  - Support students distance learning
  - Purchase personal protective supplies and equipment
  - Access to school meals
  - Professional development
  - Upgrade technology, and provide technology equipment
  - Integration of pupil support to close the students' learning gap
  - Provide in-person instruction
  - Upgrade to school sites to address health and safety concerns
  - Provide social-emotional services & mental health support, and many more.
- Maintained compliance monitoring to ensure all funds are used in accordance with allowable usages and timelines. This approach has not only prevented the need to return any funds to the state but also maximized the use of resources to support our students and staff.

General Funds Revenues and Expenditures Since 2018-19



Multi-Years Projections (before)

Unrestricted General Fund Deficit

If no action is taken to balance the district's budget, the unrestricted funds will have a deficit of one million in 2024-25 and three million in 2025-26.

UNRESTRICTED	24-25	25-26	26-27
REVENUES	Current Year	2nd Year	3rd Year
1. LCFF	22,284,106	22,744,524	21,158,912
3. State	367,382	352,687	338,580
4. Local	1,297,524	1,178,406	1,150,790
5a. Transfer In	68,556	68,556	68,556
5c. Contribution	(5,123,372)	(5,123,372)	(5,123,372)
Total	**18,894,196**	**19,220,801**	**17,593,466**

EXPENDITURES	Current Yr	2nd Year	3rd Year
Certificated Sal	8,989,377	8,989,377	9,124,218
Step & Column		134,841	136,863
Total Cert Salary	**8,989,377**	**9,124,218**	**9,261,081**
Clasified Salary	3,933,299	3,933,299	3,933,299
Step & Column		58,999	58,999
Total Classified Salary	**3,933,299**	**3,992,298**	**3,992,298**
Total Benefit	5,769,826	5,880,327	5,960,188
Book & Supplies	351,392	351,392	351,392
Ser & Oper	3,681,324	3,681,324	3,681,324
IDC	(806,960)	(806,960)	(806,960)
Total Expenses	**21,918,258**	**22,222,599**	**22,439,324**
NET	**(3,024,062)**	**(3,001,798)**	**(4,845,858)**

FUND BALANCE			
Beginning Balance	**2,024,901**	**(999,161)**	**(4,000,959)**
Ending Balance	**(999,161)**	**(4,000,959)**	**(8,846,817)**

Multi-Years Projections (before)

Restricted General Fund Deficit

If no action is taken to balance the district's budget, the restricted funds will have a deficit from $2 million to $4.5M million in 2025-26.

RESTRICTED	24-25	25-26	26-27
REVENUES	Current Year	2nd Year	3rd Year
2. Fed	1,222,177	1,208,470	1,208,470
3. State	9,328,403	8,918,918	8,914,017
4. Local	1,509,596	1,422,126	1,422,126
5c. Contribution	5,123,372	5,123,372	5,123,372
Total	**17,183,548**	**16,672,886**	**16,667,985**

EXPENDITURES	Current Yr	2nd Yr	3rd Yr
Certificated Sal	4,881,208	4,881,208	4,954,426
Step & Column		73,218	74,316
Total Cert Salary	**4,881,208**	4,954,426	5,028,743
Clasified Salary	3,626,668	3,626,668	3,681,068
Step & Column		54,400	55,216
Total Classified Salar	**3,626,668**	3,681,068	3,736,284
Total Benefit	**4,260,410**	4,324,316	4,389,181
Book & Supplies	2,225,834	2,225,834	2,225,834
Ser & Oper	4,221,086	4,221,086	4,221,086
Capital Outlay	144,780	144,780	144,780
Other Outgo	643,227	643,227	643,227
IDC	730,735	730,735	730,735
Transfer Out	302,032	302,032	302,032
Total Expenses	**21,035,980**	21,227,504	21,421,901
NET	**(3,852,432)**	(4,554,618)	(4,753,916)

FUND BALANCE			
Beginning Balance	8,494,156	4,641,724	87,106
Ending Balance	4,641,724	87,106	(4,666,811)

The Impacts

The Unrestricted Fund Deficits

- The unrestricted 2024-25 General Fund reflects a deficit spending of $3 million. The beginning balance will offset two million. Internal measures will need to be taken to address the remaining one million deficit
- In 2025-26, there is an estimated additional $3 million in deficit with no expected positive carryover from the previous year.
- The total reduction in the unrestricted funds expenditures for both years is about $4 million.

The Restricted Funds Deficits

- The restricted 2024-25 General Fund reflects a deficit spending of $3.9 million, which will be offset by the beginning balance of $8.5 and leave an ending balance of 4.6 million carryover to next year.
- In 2025-26, there is an estimated $4.5 million in deficit, of which $2 million of the one-time fund expenditures must be eliminated. The remaining $2.5 million will be balanced with the carryover or reduced according to the availability of each program.

Summary

Revenue Decreased Summary

- The three key factors that have caused a significant revenue drop while expenditures have continued to rise:

  1) Ongoing decline enrollment

  2) Abrupt COLA reduction

  3) Ending of One-time funds

- The availability of Categorical funds, that rely on ADA and COLA, are also impacted.
- A budget reduction plan needs to be formulated in order to lower the projected $1M deficit in 2024-25, and $5M deficit in 2025-26.
- Balancing $2.5M deficit in the ongoing restricted fund with the carryforward balance, to avoid deficit in 2026-27

Deficit Total Summary

Fiscal Year	**2024-25**	**2025-26**
Unrestricted Expenditures Reductions	$1,000,000	$3,000,000
One-time Restricted Expenditures Reduction	0	$2,000,000
Total Reduction	**$1,000,000**	**$5,000,000**
Balancing Restricted Programs	0	2,500,000

Expenditures

- Compensation and benefits are nearly 80% of the District's total costs.
- Budgeted annual Step and Column salary increases are automatic
- The rates of the State Teachers Retirement System (CalSTRS) and the California Public Employees Retirement System (CalPERS) continue to adjust.
- Other major expenditures that continue to increase:
  - An estimated contribution of over $5.1 million from the General Fund to Special Education Program.
  - Statutory Leaves - Substitute costs
  - Transportation cost
  - Legal expenses
  - Utilities and contracted costs

Salary and Benefits Expenditures

Multi-Years Employee Compensations

Fiscal Year	2019-20	*2020-21	2021-22	2022-23	2023-24	Total Increase
Certificated	2.5%	4.0%	3.0%	7%+$3,000 = 9.6%	5%+$1,500 = 6.5%	**21.60%**
Classified	2.5%	4.0%	3.0%	7%+$1,800 = 9.6%	6.50%	**21.60%**
Management & Confidential	2.5%	4.0%	3.0%	*Zero to 5%	*Zero to 6%	**14.50%**
Benefit Cap	$ 12,000	$ 12,000	$ 13,000	$ 15,500	$ 17,500	**$ 5,500**

***Notes:**

The 4% salary increase in 2020-21 was a one-time off-salary-schedule and was not included in the total increase.

The majority of the Management & Confidential groups received a 4% increase in 2022-23 and a 5% in 2023-24.

The estimated cost of 3.64% step and column increase for 2025-26 is approximately $643,059

Other Major Expenditures

STRS & PERS - RATE

Fiscal Year	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Estimated 2024-25	Estimated 2025-26	Estimated 2026-27
STRS	16.28%	17.10%	16.15%	16.92%	19.10%	19.10%	19.10%	19.10%	19.10%
PERS	18.06%	19.72%	20.70%	22.91%	25.37%	26.68%	27.05%	27.60%	28.00%

STRS & PERS - Costs

Certificated	Actual	Actual	Actual	Actual	Actual	Actual	Budget
FY	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
COST OF STRS	$1,977,182	$2,058,319	$1,831,400	$ 1,925,209	$ 2,278,563	$ 2,495,570	$ 2,566,555

Classified	Actual	Actual	Actual	Actual	Actual	Actual	Budget
FY	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
COST OF PERS	$1,267,975	$1,384,321	$1,386,962	$ 1,497,307	$ 1,620,106	$ 1,787,755	$ 1,880,045

General Fund Contribution to Special Education

FY	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Period	Actual	Actual	Actual	Actual	Actual	Actual	BUDGET
General Fund Contriubution to Special Ed	$4,596,063	$4,716,655	$3,696,925	$3,285,480	$3,903,758	$4,947,788	$5,108,372

Multi-Years Projections
Unrestricted Fund
(after)

Fairshare Balancing Demonstration

- The Budget Advisory Committee's task is to provide recommendation to balance the budget.
- This (unrestricted) and the next (restricted) slides demonstrated the examples of a positive Multi-Years Projections using the Fairshare Balancing.

UNRESTRICTED	24-25	25-26	26-27
REVENUES	Current Year	2nd Year	3rd Year
1. LCFF	22,284,106	22,744,524	21,158,912
3. State	367,382	352,687	338,580
4. Local	1,297,524	1,178,406	1,150,790
5a. Transfer In	58,556	68,556	68,556
5c. Contribution	(5,123,372)	(4,918,437)	(4,721,700)
Total Revenues	**18,884,196**	**19,425,736**	**17,995,138**

EXPENDITURES	Current Yr	2nd Year	3rd Year
Total Cert Salary	8,989,377	7,869,105	7,593,686
Total Classified Salary	3,933,299	3,443,124	3,320,033
Total Benefit	5,769,826	5,005,280	4,748,670
Book & Supplies	351,392	303,769	288,581
Ser & Oper	3,681,324	3,182,411	2,682,411
IDC	(806,960)	(697,596)	(697,596)
Total Expenses	**21,918,258**	**19,106,093**	**17,935,784**
NET	**(3,034,062)**	**319,643**	**59,354**

FUND BALANCE			
Beginning Balance	2,024,901	1,290,839	1,610,482
Ending Balance	(1,009,161)	1,610,482	1,669,837
Transfer in	2,300,000		
Total Available	1,290,839	1,610,482	1,669,837
3% Reserved	1,290,839	1,174,636	1,087,266
Balance Forward	0	435,847	582,570

Multi-Years Projections Restricted Fund (after)

Fairshare Balancing Demonstration

- This slide demonstrated an example of a positive Multi-Years Projections in the Restricted Funds using the Fairshare Balancing.

RESTRICTED	24-25	25-26	26-27
REVENUES	Current Year	2nd Year	3rd Year
2. Federal	1,222,177	1,208,470	1,208,470
3. State	9,328,403	8,918,918	8,914,017
4. Local	1,509,596	1,422,126	1,422,126
5c. Contribution	5,123,372	4,918,437	4,721,700
Total	**17,183,548**	**16,467,951**	**16,266,313**

EXPENDITURES	Current Yr	2nd Yr	3rd Yr
Total Cert Salary	4,881,208	4,185,085	4,080,458
Total Classified Salary	3,626,668	3,109,459	3,031,722
Total Benefit	4,260,410	3,652,821	3,652,821
Book & Supplies	2,225,834	1,908,402	1,832,066
Ser & Oper	4,221,086	3,619,105	3,474,341
Capital Outlay	144,780	124,133	119,167
Other Outgo	643,227	551,495	529,435
IDC	730,735	626,523	601,462
Transfer Out	302,032	258,958	248,600
Total Expenses	**21,035,980**	18,035,980	17,570,071
NET	**(3,852,432)**	(1,568,029)	(1,303,759)

FUND BALANCE			
Beginning Balance	8,494,156	4,641,724	3,073,695
Ending Balance	4,641,724	3,073,695	1,769,936
Total Available	4,641,724	3,073,695	1,769,936

Muti-Years Projection Assumptions

- The previous two slides demonstrated the budget-balancing using the Fairshare reduction method applied to each category.
- The district estimated a 4% decline in enrollment for the next two subsequent years.
- The district borrowed $1.3 million from fund 17 to maintain the 3% Reserve.
- The district also borrowed one additional million to balance the budget in 2024-25, buying time for the budget-balancing process.
- Fairshare reduction is just an estimated demonstration.
- Our common goal is to provide quality education for our students. The Budget Advisory Team's collaboration is crucial to ensure that our students' needs are kept at the forefront while creating a balanced budget.
- This First Interim Projection is a snapshot in time. It is the best estimate based on the available information when the report is prepared.

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Next Steps

18 Dec. 2024	15 Jan. 2024	Jan. 2025	12 Mar. 2025
The administration present the Board with the 2024-25 First Interim Report	The administration will present the Board with the 2023-24 Audit Report	Governor's Proposals for the 2025-26 State Budget	Administration will present the Board with 2024-25 Second Interim Reports