MENLO PARK
CITY SCHOOL DISTRICT

2016/17 First Interim Budget Report

December 13, 2016

Introduction

The First Interim Report is the first of two updates to the 2016/17 Adopted Budget. First Interim includes actuals through the end of October and is due to the County Office of Education by December 15. Second Interim will include actuals through the end of January and will be due by March 15. The Board of Trustees 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 Board certifies the financial condition of the District as either positive, qualified, or negative based on the District's ability to meet the minimum State requirement of a reserve for economic uncertainty of at least 3% of total expenditures for the three year period. The certification triggers varying levels of oversight from the County Office of Education as prescribed by Ed Code. The MPCSD Board policy requires a higher reserve than the State minimum as a best practice for community-funded districts. MPCSD Board Policy 3450 requires a minimum reserve level of 15% for budget adoption in the current year and no less than 10% in the subsequent years of the multi-year projection.

The First Interim Report typically reflects the most changes of the two interim reports. Since the budget was adopted in June, the State enacted its 2016/17 budget, the District's financials for the prior fiscal year were closed and balances carried forward into the current year, enrollment and staffing were finalized with the start of school, and the first estimate of 2016/17 property tax revenue was received from the San Mateo County Controller's Office. Unique to this year is the conclusion of bargaining for compensation increases in September for both 2015/16 and 2016/17. These changes are highlighted below and details are included in the attached reports.

Reserves for economic uncertainties are updated with the 2016/17 First Interim Report and projected at 17.5% for the budget year, 12.8% for the first subsequent year (2017/18), and 4.5% for the second subsequent year (2018/19). Funding from the 2010 Measure C parcel tax is not included in the multi-year projection after its expiration on June 30, 2017. The Board took action on December 5, 2016, to place a limited-term parcel tax of $360 on the ballot for March 7, 2017. Revised funding expectations and planned expenditure reductions needed to meet required reserve levels will be included with the Second Interim Report on March 14, 2017.

Projected reserves meet the minimum State requirement of at least 3% of total expenditures for the current and two subsequent years for a positive certification with

this report. However, reserves will fall below the State minimum in the 2019/20 fiscal year without additional funding and/or reductions. This will need to be addressed with the 2017/18 budget adoption to maintain a positive certification and comply with Board policy.

Summary of First Interim Budget Adjustments

The First Interim Budget includes significant changes from the Adopted Budget. Key changes are highlighted below (see attached General Fund Variance Summary for details). Amounts are rounded.

- $400,000 increase in revenue
    - $344,000 increase in ongoing revenues
        - $176,000 increase in estimated Secured Property Tax (from a projected increase of 6.25% at budget adoption to 6.84%)
        - $168,000 other ongoing increase in revenues, approximately half of which is from an increased Redevelopment Agency (RDA) allocation
- $2.3 million increase in expenditures
    - $1,491,000 change in one-time uses
        - $801,000 negotiated compensation increase for 2015/16
        - $325,000 one-time expenditures for Laurel Upper Campus from set-aside funds (reduces assigned balances)
        - $239,000 budgeted from prior year carryover
    - $847,000 increase in ongoing expenditures
        - $811,000 negotiated compensation increase for 2016/17
        - ($142,000) savings in salaries and benefits, mainly because health premiums did not increase as projected
        - $102,000 added LVN's at Laurel and Hillview

Staffing Changes Since Adopted Budget

Staffing increased 1.64 FTE since the Adopted Budget, primarily for instructional aides/para educators. Total staffing is 325 FTE. See the Personnel Allocation report attached for details.

New Budget Model and Multi-Year Projection

During the summer of 2016, the District reexamined all key budgeting assumptions and updated its long-term budget model. The new budget model includes significant changes in assumptions as follows:

- Secured Property Tax: More than half of the District's total revenue (approximately 55%) comes from "secured property tax," that portion of property tax generated from assessed values of land and structures. Staff looked at the historical changes in secured property tax over the last 20+ years and identified cycles of roughly eight years between peaks. It was noted that peaks in recent years have been declining since the 1990's. For long-range projection purposes, the new budget model uses an eight-year compound annual growth rate of 6.1% for the first four years, afterwhich the rate is discounted. This is an increase from the secured property tax projections included in the 2016-17 Adopted Budget of 5% for 2017-18 and 3% for 2018-19 (which was consistent with past practice).

- Compensation Increases: Salaries and benefits make up almost 90% of operating expense. Past budgets did not include compensation increases in subsequent years because these increases are negotiated with the bargaining units each year. Budgeted compensation increases reflected only regular movement on the salary schedule, "step and column." To more accurately capture potential expenditures, staff looked at the historical agreements for negotiated compensation increases over the last 10 years. A placeholder of 2.4% per year is added to salary expenditures in subsequent years, in addition to regular step and column. <u>This amount is only a placeholder. Compensation is a mandatory subject of bargaining, and any compensation changes negotiated with the bargaining units require Board approval in order to become effective.</u> Approved compensation increases generally reflect the District's consideration of the factors identified in Government Code Section 3548.2, including the interests and welfare of the public and the District's financial ability, total compensation comparability with similar districts, and the Consumer Price Index.

- Other: Staff looked at all other revenue and expenditures to either increase them by historical average, Bay Area Consumer Price Index, per pupil allocations, or Cost of Living Adjustments as projected by School Services of California.

Staff utilized this new budget model to project a structural deficit of over $5 million by 2021/22 due to the following three factors: loss of expiring Measure C (2010) parcel tax

funding in the amount of $1.6 million, continued enrollment growth (for which the District does not receive any additional funding), and increased pension costs as required by the State. Further information regarding the deficit can be found in an extensive staff report provided at the November 9, 2016, School Board meeting, ., as well as a District-prepared FAQ about the structural deficit which is posted on the website.

The multi-year projection for the First Interim includes all budgetary adjustments since the Adopted Budget, the new budget model assumptions indicated above, complete roll out of World Language for K-5, and other minor adjustments. It does not include additional funding from a future parcel tax nor reductions of current programs except for the approximate $900,000 reductions that were made as part of the 2016/17 Adopted Budget.

Below is a recap of the multi-year projection total reserves available (General Fund Reserves for Economic Uncertainty, plus Fund 17, Special Reserve Fund, primarily prior parcel tax balances):

Multi-Year Projection Reserves (General Fund and Fund 17, Combined)

Fiscal Year	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Reserves % of Total Expenditures	21.5%	14.0%	5.2%	Below 0 No reserves

Conclusion

Over the last four months, the District held ten public School Board meetings to discuss the District's long range financial stability. Through these meetings various options for reductions and additional funding were discussed. On December 5, 2016, the Board unanimously approved a ballot measure to be placed on the March 7, 2017, election for a parcel tax of $360 for seven years, which would provide the District about $2.83 million in annual funding. This is about $1.2 million more than is generated from the expiring Measure C (2010) parcel tax. In addition to this funding, the District will need to make reductions in expenditures of about $1.2 million over the next two years. This level of increased funding, combined with budget reductions, is estimated to provide the District with financial stability through the 2020/21 fiscal year.

Next steps include the identification of specific expenditures to be included in two budget reduction plans to be implemented with, or without, a successful parcel tax election. This information will be presented to the School Board for review and discussion. Timing will be essential as the parcel tax election is March 7, the Second Interim Report will be presented for Board approval on March 14, and certificated layoff notices (if any) must be sent March 15.

Attachments

Summary of All Funds
2016/17 Personnel Allocation
2016/17 General Fund Projected Year Totals
2016/17 General Fund Variance Summary
Multi-Year Projection
Restatement of Reserves
Budget Assumptions
SACS Financial Report

MENLO PARK CITY SCHOOL DISTRICT
ALL FUNDS
2016/17 First Interim 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	$ 11,562,142	$ 53,893	$ 806,344	$ 3,843,813	$ 5,900,591	$ 1,452,133	$ 2,973,949
REVENUES:							
LCFF/Property Taxes	$ 30,135,051	$ -	$ 643,750	$ -	$ -	$ -	$ -
Federal	740,677	114,000	-	-	-	-	-
Other State	3,297,370	6,100	-	-	-	-	-
Other Local	11,571,410	5,400	10,000	30,000	75,000	338,000	10,000
Total Revenues	$ 45,744,508	$ 125,500	$ 653,750	$ 30,000	$ 75,000	$ 338,000	$ 10,000
EXPENDITURES:							
Certificated Salaries	$ 25,235,134	$ -	$ -	$ -	$ -	$ -	$ -
Classified Salaries	6,424,205	-	-	-	43,300	-	-
Employee Benefits	10,236,848	-	-	-	12,921	-	
Books and Supplies	1,608,352	109,000	-	-	-	5,000	-
Services & Other Expenses	3,579,504	-	250,000	-	-	25,000	-
Capital Outlay & Other Outgo	650,600	-	-	-	5,919,369	1,150,000	2,864,364
Total Expenditures	$ 47,734,643	$ 109,000	$ 250,000	$ -	$ 5,975,590	$ 1,180,000	$ 2,864,364
OTHER FINANCING SOURCES:							
Interfund Transfers In	$ 1,965,379	$ -	$ -	$ -	$ -	$ -	$ -
Interfund Transfers Out	-	20,000	-	1,945,379	-	-	-
TOTAL OTHER SOURCES	$ 1,965,379	$ (20,000)	$ -	$ (1,945,379)	$ -	$ -	$ -
Net Incr/(Decr) to Fund Balance	$ (24,756)	$ (3,500)	$ 403,750	$ (1,915,379)	$ (5,900,590)	$ (842,000)	$ (2,854,364)
NET ENDING BALANCE:	$ 11,537,386	$ 50,393	$ 1,210,094	$ 1,928,434	$ 1	$ 610,133	$ 119,585

MENLO PARK CITY SCHOOL DISTRICT
2016/17 FIRST INTERIM BUDGET
PERSONNEL ALLOCATION

	2016/17 ADOPTED BUDGET	2016/17 1ST INTERIM BUDGET	INCREASE/ (DECREASE)
CERTIFICATED EMPLOYEES, GENERAL FUND			
SUPERINTENDENT & ASSISTANT SUPERINTENDENT	2.00 FTE	2.00 FTE	- FTE
DIRECTORS	2.00 FTE	2.00 FTE	- FTE
COORDINATOR / PROGRAM SPECIALIST	1.60 FTE	1.60 FTE	- FTE
PRINCIPALS & ASSISTANT PRINCIPALS	9.00 FTE	9.00 FTE	- FTE
TEACHERS - GENERAL EDUCATION	166.12 FTE	166.16 FTE	0.04 FTE
TEACHERS - SPECIAL EDUCATION	17.10 FTE	17.10 FTE	- FTE
TEACHERS - SPECIAL ASSIGNMENT / WELLNESS COORDINATOR	4.40 FTE	4.40 FTE	- FTE
NURSES	1.40 FTE	1.40 FTE	- FTE
LIBRARIANS	4.00 FTE	4.00 FTE	- FTE
PSYCHOLOGISTS	4.80 FTE	4.80 FTE	- FTE
COUNSELORS	5.00 FTE	5.00 FTE	- FTE
TOTAL CERTIFICATED EMPLOYEES, GENERAL FUND	**217.42 FTE**	**217.46 FTE**	**0.04 FTE**
CLASSIFIED EMPLOYEES, GENERAL FUND			
CHIEF BUSINESS & OPERATIONS OFFICER	0.85 FTE	0.85 FTE	- FTE
DIRECTORS	2.00 FTE	2.00 FTE	- FTE
MANAGER / SUPERVISOR	2.00 FTE	2.00 FTE	- FTE
COORDINATOR, SPECIAL EDUCATION	1.00 FTE	1.00 FTE	- FTE
PARA EDUCATORS & ASSISTIVE TECH - SPECIAL EDUCATION	32.32 FTE	33.31 FTE	0.99 FTE
HEALTH SERVICE ASSISTANTS & LVN'S	3.28 FTE	2.47 FTE	-0.81 FTE
INSTRUCTIONAL AIDES - GENERAL EDUCATION	14.00 FTE	15.31 FTE	1.31 FTE
OCCUPATIONAL THERAPISTS	2.00 FTE	2.00 FTE	- FTE
PLAYGROUND SUPERVISORS	5.05 FTE	5.16 FTE	0.11 FTE
FAMILY ENGAGEMENT LIAISON	1.00 FTE	1.00 FTE	- FTE
CLERICAL	17.13 FTE	17.13 FTE	- FTE
TECHNOLOGY SUPPORT	5.00 FTE	5.00 FTE	- FTE
MAINTENANCE & GROUNDS	3.75 FTE	3.75 FTE	- FTE
CUSTODIANS	12.75 FTE	12.75 FTE	- FTE
TRANSPORTATION	3.50 FTE	3.50 FTE	- FTE
TOTAL CLASSIFIED EMPLOYEES, GENERAL FUND	**105.63 FTE**	**107.22 FTE**	**1.60 FTE**
CLASSIFIED EMPLOYEES, BOND FUND			
CHIEF BUSINESS & OPERATIONS OFFICER	0.15 FTE	0.15 FTE	- FTE
CLERICAL	0.25 FTE	0.25 FTE	- FTE
TOTAL CLASSIFIED EMPLOYEES, BOND FUND	**0.40 FTE**	**0.40 FTE**	**0.00 FTE**
TOTAL FULL TIME EQUIVALENCIES (FTE)	**323.45 FTE**	**325.08 FTE**	**1.64 FTE**

MENLO PARK CITY SCHOOL DISTRICT
GENERAL FUND PROJECTED YEAR TOTALS
2016/17 First Interim Budget

	First Interim Budget Summary	One-Time Sources/Uses	Adjusted Budget for Ongoing Operations
Beginning Fund Balance	$ 11,562,142	$ -	$ 11,562,142
REVENUES:			
Local Control Funding Formula Sources			
Secured Property Tax	$ 25,685,084	$ -	$ 25,685,084
Other Local Property Tax	1,845,104		1,845,104
State Aid (Minimum State Aid & Tinsley Revenue Transfer)	1,267,027		1,267,027
Education Protection Account (Prop. 30)	580,000		580,000
Special Education/SELPA Property Tax Transfer (Restricted)	1,401,586		1,401,586
Deferred Maintenance Transfer	(643,750) [1]	-	(643,750)
Sub-Total Local Control Funding Formula Sources	$ 30,135,051	$ -	$ 30,135,051
Federal Revenue	740,677	(119,898) [2]	620,779
Other State Revenue *(Mandated Costs, Lottery, Other One-Time)*	3,297,370 [3]	(706,349) [4]	2,591,021
Local Revenue - Parcel Taxes	6,875,056 [5]		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.)*	1,096,354	(250,000) [6]	846,354
Total Revenue	$ 45,744,508	$ (1,076,247)	$ 44,668,261
EXPENDITURES:			
Salaries & Benefits			
Certificated Salaries	$ 25,235,134	$ (732,069)	$ 24,503,065
Classified Salaries	6,424,205	(241,734)	6,182,471
Employee Benefits	10,236,848 [7]	(185,475)	10,051,373
Sub-Total Salaries & Benefits	$ 41,896,187	$ (1,159,278) [8]	$ 40,736,909
Books & Supplies	1,608,352	(291,955) [9]	1,316,397
Services & Operating Expenditures	3,579,504	(320,440) [9]	3,259,064
Capital Outlay	300,000	(300,000) [10]	-
Other Outgo - OPEB Contribution	130,000		130,000
Other Outgo - Special Ed Tuition to Other Public Agencies	220,600	-	220,600
Total Expenditures	$ 47,734,643	$ (2,071,673)	$ 45,662,970
NET OPERATING SURPLUS/(DEFICIT) - Revenue Less Expenditures	**$ (1,990,135)**	**$ 995,426**	**$ (994,709)**
Transfers In	$ 1,965,379	$ (138,129) [11]	$ 1,827,250
Transfers Out	-	-	-
Net Increase(Decrease) in Fund Balance	**$ (24,756)**	**$ 857,297**	**$ 832,541**
Projected & Adjusted Ending Fund Balance	$ 11,537,386		$ 12,394,683

One-Time Adjustments/Notes:

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

[2] Deferred revenue/carryover: Special Education IDEA grants ($82,779), Title III, Limited English Proficiency & Immigrant Education ($37,119)

[3] 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.

[4] One-time Mandate/discretionary funding ($609,000); 4th of 5 years of the Prop. 39, Clean Energy, grant ($94,500); TUPE carryover ($2,849)

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

[6] 1st of 3 year Eustace-Kwan grant ($250,000)

[7] Includes $1,932,021 State STRS On Behalf (see footnote #2 above)

[8] Payment of 2015/16 off-schedule salary increase ($800,616); Final year of Tech coaches ($198,467); 1st of 3 years Family Engagement Liaison ($71,984); Other Kwan grant salaries & benefits ($88,211)

[9] Final year of increased professional development ($46,253); Prop. 39, Clean Energy, grant ($94,500); Kwan grant ($89,805); Prior year carryover added to expense budget ($239,372); One-time Board services/community outreach ($70,000); Start-up funds set aside/ assigned for Laurel Upper Campus music ($25,000); Special Ed LVN position covered by contracted services ($47,465)

[10] Funds set aside/assigned for Laurel Upper Campus technology and furniture ($300,000)

[11] Additional contribution from Fund 17 for payment of 2015/16 off-schedule salary increase related to parcel taxes ($138,129)

MENLO PARK CITY SCHOOL DISTRICT
GENERAL FUND VARIANCE SUMMARY
2016/17 First Interim Budget

	2016-17 Adopted	2016-17 First Interim	Increase/(Decrease) First Interim
Beginning Fund Balance	$ 11,131,156	$ 11,562,142	$ 430,986 [1]
REVENUES:			
LCFF Sources (Property Tax & State Aid)	$ 29,843,857	$ 30,135,051	$ 291,194 [2]
Federal Revenue	620,779	740,677	119,898 [3]
Other State Revenue	3,339,561	3,297,370	(42,191) [4]
Menlo Park Atherton Education Foundation	3,600,000	3,600,000	-
Parcel Tax Revenue	6,875,056	6,875,056	-
Other Local Revenue	1,062,199	1,096,354	34,155
Total Revenue	$ 45,341,452	$ 45,744,508	$ 403,056
EXPENDITURES:			
Certificated Salaries	$ 23,989,615	$ 25,235,134	$ 1,245,519 [5]
Classified Salaries	6,149,310	6,424,205	274,895 [5]
Employee Benefits	10,215,444	10,236,848	21,404 [5]
Books and Supplies	1,403,766	1,608,352	204,586 [6]
Services and Operating Expenditures	3,321,155	3,579,504	258,349 [6]
Capital Outlay	-	300,000	300,000 [7]
Other Outgo	317,050	350,600	33,550
Total Expenditures	$ 45,396,340	$ 47,734,643	$ 2,338,303
NET OPERATING SURPLUS/(DEFICIT)	**$ (54,888)**	**$ (1,990,135)**	**$ (1,935,247)**
OTHER FINANCING SOURCES/USES:			
Transfers In	1,697,568	1,965,379	267,811 [8]
Transfers Out	-	-	-
Increase/(Decrease) Fund Balance	**$ 1,642,680**	**$ (24,756)**	**$ (1,667,436)**
Projected Ending Fund Balance	$ 12,773,836	$ 11,537,386	$ (1,236,450)

First Interim Footnotes:

[1] Increase in Beginning Fund Balance from the close of fiscal year 2015/16 (Unaudited Actuals presented to the Board on September 13, 2016)

[2] Increase Property Taxes: Secured Property Tax $176,193; RDA allocation $85,301; Other property tax $29,700

[3] Deferred Revenue/Carryover: Special Ed IDEA grants $82,779; Title III, Limited English Proficiency & Immigrant Ed $37,119

[4] Reduce one-time Mandate/discretionary funding ($64,000); Increase Lottery $23,960; Other ($2,151)

[5] Negotiated compensation increases $1,625,007; Update salaries & benefits, including savings in health benefits as there was not the increase in cost as projected at Adopted ($141,747); Other $58,558

[6] Carryover $239,372; Add LVN's at Laurel & Hillview $102,250; Reallocate Title I to sites $50,516; Increase Special Ed $50,000; Increase Board services/community outreach $45,000; One-time expenditures for Laurel Upper Campus music $25,000 from set-aside funds (reduced assigned balance); Other ($49,203)

[7] One-time expenditures for Laurel Upper Campus technology & furniture $300,000 from set-aside funds (reduces assigned balance)

[8] Increase transfer from Fund 17 for compensation increases $267,811

MENLO PARK CITY SCHOOL DISTRICT
LONG-RANGE MULTI-YEAR PROJECTION
2016/17 First Interim Budget

	2016/17			2017/18			2018/19			2019/20		
	Unrestricted	Restricted	Unrestr/Restr	Unrestricted	Restricted	Unrestr/Restr	Unrestricted	Restricted	Unrestr/Restr	Unrestricted	Restricted	Unrestr/Restr
REVENUES:												
LCFF(Property Tax)	$ 28,733,465	$ 1,401,586	$ 30,135,051	$ 30,348,256	$ 1,416,866	$ 31,765,122	$ 32,063,654	$ 1,450,549	$ 33,514,203	$ 33,888,238	$ 1,488,611	$ 35,376,849
Federal Revenue	-	740,677	740,677	-	636,279	636,279	-	652,179	652,179	-	668,479	668,479
Other State Revenue	1,105,000	2,192,370	3,297,370	513,800	2,227,567	2,741,367	516,300	2,289,316	2,805,616	522,400	2,327,166	2,849,566
Other Local Revenue	4,238,449	7,332,961	11,571,410	4,354,449	5,843,590	10,198,039	4,387,849	5,983,402	10,371,251	4,449,649	5,876,777	10,326,426
Total Revenues	$ 34,076,914	$ 11,667,594	$ 45,744,508	$ 35,216,505	$ 10,124,302	$ 45,340,807	$ 36,967,803	$ 10,375,446	$ 47,343,249	$ 38,860,287	$ 10,361,033	$ 49,221,320
EXPENDITURES:												
Certificated Salaries	$ 16,318,923	$ 8,916,211	$ 25,235,134	$ 16,605,418	$ 9,012,934	$ 25,618,352	$ 17,254,256	$ 9,338,629	$ 26,592,885	$ 17,916,628	$ 9,617,600	$ 27,534,228
Classified Salaries	3,297,588	3,126,617	6,424,205	3,470,746	3,235,471	6,706,217	3,595,477	3,374,783	6,970,260	3,720,127	3,404,774	7,124,901
Employee Benefits	5,198,953	5,037,895	10,236,848	5,759,212	5,404,014	11,163,226	6,431,781	5,964,685	12,396,466	7,168,603	6,334,019	13,502,622
Books & Supplies	833,639	774,713	1,608,352	791,863	608,917	1,400,780	811,663	624,117	1,435,780	831,963	619,717	1,451,680
Operating Expenses	2,100,303	1,479,201	3,579,504	2,143,408	1,328,531	3,471,939	2,127,008	1,538,631	3,665,639	2,180,208	1,614,216	3,794,424
Cap Outlay & Other Outgo	430,000	220,600	650,600	130,000	220,600	350,600	130,000	220,600	350,600	130,000	220,600	350,600
Total Expenditures	$ 28,179,406	$ 19,555,237	$ 47,734,643	$ 28,900,647	$ 19,810,467	$ 48,711,114	$ 30,350,185	$ 21,061,445	$ 51,411,630	$ 31,947,529	$ 21,810,926	$ 53,758,455
NET OPERATING SURPLUS/(DEFICIT)	**$ 5,897,508**	**$ (7,887,643)**	**$ (1,990,135)**	**$ 6,315,858**	**$ (9,686,165)**	**$ (3,370,307)**	**$ 6,617,618**	**$ (10,685,999)**	**$ (4,068,381)**	**$ 6,912,758**	**$ (11,449,893)**	**$ (4,537,135)**
TRANSFERS & CONTRIBUTIONS:												
Transfers In	$ 281,540	$ 1,683,839	$ 1,965,379	$ 289,487	$ 1,043,745	$ 1,333,232	$ 301,863	$ -	$ 301,863	$ 314,169	$ -	$ 314,169
Transfers Out			-			-			-			-
Contributions to Restricted	(6,040,590)	6,040,590	-	(8,642,420)	8,642,420	-	(10,685,999)	10,685,999	-	(11,449,893)	11,449,893	-
Net Transfers & Contributions	$ (5,759,050)	$ 7,724,429	$ 1,965,379	$ (8,352,933)	$ 9,686,165	$ 1,333,232	$ (10,384,136)	$ 10,685,999	$ 301,863	$ (11,135,724)	$ 11,449,893	$ 314,169
Increase/(Decrease) Fund Balance	**$ 138,458**	**$ (163,214)**	**$ (24,756)**	**$ (2,037,075)**	**$ -**	**$ (2,037,075)**	**$ (3,766,518)**	**$ -**	**$ (3,766,518)**	**$ (4,222,966)**	**$ -**	**$ (4,222,966)**
Beginning Fund Balance	9,820,883	1,741,259	11,562,142	9,959,341	1,578,045	11,537,386	7,922,266	1,578,045	9,500,311	4,155,748	1,578,045	5,733,793
Ending Fund Balance	**$ 9,959,341**	**$ 1,578,045**	**$ 11,537,386**	**$ 7,922,266**	**$ 1,578,045**	**$ 9,500,311**	**$ 4,155,748**	**$ 1,578,045**	**$ 5,733,793**	**$ (67,218)**	**$ 1,578,045**	**$ 1,510,827**
Restricted Ending Fund Balance			$ 1,578,045			$ 1,578,045			$ 1,578,045			$ 1,578,045
Assigned Balances (from Unrestricted):												
1.5% Prop Tax & Genentech Reserve			$ 427,000			$ 409,000			$ 434,000			$ 460,000
Instr Materials & Unrestr Lottery			821,045			921,045			1,023,545			1,128,645
Foundation & Site Grants			27,845			27,845			27,845			27,845
Tech Reserve for New School			-			-			-			-
Strategic Directions			198,000			198,000			198,000			198,000
Facilities/Transportation			150,000			150,000			150,000			150,000
Total Assigned Balances			$ 1,623,890			$ 1,705,890			$ 1,833,390			$ 1,964,490
Reserve for Economic Uncertainty			**$ 8,335,451**			**$ 6,216,376**			**$ 2,322,358**			**$ (2,031,708)**
Reserve as Percentage of Expenditures			**17.5%**			**12.8%**			**4.5%**			**-3.8%**
Fund 17, Special Reserve, Ending Balance			**$ 1,928,434**			**$ 625,202**			**$ 348,339**			**$ 54,170**
Combinded Reserve Percentage			21.5%			14.0%			5.2%			-3.7%

Menlo Park City School District
Restatement of Reserves
2016/17 First Interim Budget

Senate Bill (SB) 858 requires districts to report reserves in excess of the state minimum requirement, including assigned fund balances in Fund 01, General Fund, and Fund 17, Special Reserve Fund. The minimum required reserve for Menlo Park City School Distict 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	$ 47,734,643	$ 48,711,114	$ 51,411,630
3% Minimum Reserve Level Required by the State	$ 1,432,039	$ 1,461,333	$ 1,542,349
Fund 01, General Fund, Excess Reserve for Economic Uncertainties, Not Including Assigned Fund Balances	6,903,412	4,755,043	780,009
Total Fund 01, General Fund, Reserve for Economic Uncertainties -- Reported in 2016/17 Budget	**$ 8,335,451**	**$ 6,216,376**	**$ 2,322,358**
Total Fund 01, General Fund, Reserve for Economic Uncertaities As a Percentage of Total Expenditures	17.5%	12.8%	4.5%
Fund 01, General Fund, Unrestricted Assigned Balances	$ 1,623,890	$ 1,705,890	$ 1,833,390
Fund 17, Special Reserve Fund, Assigned Balances	1,928,434	625,202	348,339
Total Restatement of Reserves to Include Assigned Balances in Fund 01 and Fund 17	**$ 11,887,775**	**$ 8,547,468**	**$ 4,504,087**
Total Restatement of Reserves As a Percentage of Total Expenditures	24.9%	17.5%	8.8%
Amount of Restated Reserves in Excess of 3% Minimum	$ 10,455,736	$ 7,086,135	$ 2,961,738
Reasons for Reserves in Excess of State Minimum			
Fund 01, General Fund, Excess Reserve for Economic Uncertainties, per Board Policy 3470(b)	$ 6,903,412	$ 4,755,043	$ 780,009
Fund 01, General Fund, Unrestricted Assigned Balances:			
1.5% Property Tax & Genentech Reserve	$ 427,000	$ 409,000	$ 434,000
Book Adoptions - Instructional Materials & Unrestricted Lottery Balances	821,045	921,045	1,023,545
Carryover from Foundation & Site Grants	27,845	27,845	27,845
Strategic Directions	198,000	198,000	198,000
Facilities/Transportation	150,000	150,000	150,000
Total Fund 01, General Fund, Unrestricted Assigned Balances	$ 1,623,890	$ 1,705,890	$ 1,833,390
Fund 17, Special Reserve Fund, Assigned Balances:			
Curriculum Coordinators (Previously Learning Leaders)	$ 884,689	$ 625,202	$ 348,339
Combined Measure A & B Parcel Tax Balances (Restricted)	1,043,745	-	-
Total Fund 17, Special Reserve, Fund Assigned Balances	$ 1,928,434	$ 625,202	$ 348,339
Combined Excess Reserve for Economic Uncertainties and Assigned Fund Balances	$ 10,455,736	$ 7,086,135	$ 2,961,738

Menlo Park City School District
First Interim Budget Assumptions

2016/17

- Revenue
  - LCFF/Property Tax Sources
    - 6.84% secured property tax growth, per November P-1 Taxes report (an increase from 6.25% growth projected at budget adoption)
    - 2.60% increase in unsecured property tax, per P-1 Taxes
    - $85,301,or 30.1%, increase in Redevelopment Agency (RDA) funds
    - $30,140, or 3.7%, estimated increase in Court-Ordered Voluntary Transfer (Tinsley) funding (no change since Adopted Budget)
    - $432,027 Minimum State Aid (LCFF "hold harmless" amount for State categoricals received in fiscal year 2012/13; amount will never increase and makes permanent reduced State funding of approx. $1.5 million in State categoricals)
    - 1.76% decrease in Spec Ed/SELPA property tax transfers, per SELPA Estimated Budget (no change since Adopted Budget)
    - $25,000 estimated Spec Ed/SELPA High Cost Pool reimbursement
    - $580,000 Proposition 30, Education Protection Account funds
    - ($643,750) Deferred Maintenance transfer
  - Federal & Other State
    - $122,747 one-time deferred revenue/carryover from prior year ($119,898 Federal, plus $2,849 State)
    - $620,779 ongoing Federal grants, primarily Special Education (no change since Adopted Budget)
    - $1,932,021 pass-through of State contribution to STRS on behalf of District employees (Other State Revenue)
    - $619,000 Lottery and Mandate Block grants, combined allocation of $217.42 per Average Daily Attendance
    - $609,000 one-time discretionary funds for mandate reimbursement backlog
    - $94,500 Prop. 39, Clean Energy Act, funding (4th of 5 years)
    - $35,000 Special Education Mental Health Services
  - Other Local
    - 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
    - $261,354 site deposits/donations, primarily field trips and PTO reimbursements
    - $215,000 facilities rental income
    - $100,000 transportation/bussing income
    - $90,000 interest income

- Expenditure
    - Salaries & Benefits
        - Negotiated compensation increase for 2015/16 one-time payout equivalent to 2.5%, off the salary schedule, and 2016/17 2.5% on the salary schedule (AB 1200 Public Disclosure on 09/13/2016)
        - $1,932,021 pass-through of State contribution to STRS on behalf of District employees (STRS expenditure)
        - 1.64 FTE increase in staffing since Adopted Budget
            - 0.04 FTE Certificated – teachers
            - 1.60 FTE Classified – instructional aides/para educators
        - $173,701 reduction in assigned ending fund balance to continue technology coaches (final year)
        - No increase in health benefits – eliminate 7% increase projected at Adopted Budget effective January 1, 2017
        - 1.85% increase in STRS employer rate (from 10.73% to 12.58%)
        - 2.04% increase in PERS employer rate (from 11.85% to 13.89%)
    - Other
        - $325,000 one-time expenditures for Laurel Upper Campus from set-aside funds for technology, furniture, and music (reduces assigned ending fund balance)
        - $239,372 one-time budgeted expenditures for prior year carryover
        - $102,250 added LVN contracted services at Laurel and Hillview
        - $50,516 increased allocation to sites for Title I grant
        - $50,000 increase in Special Education contracted services
        - Maintain Routing Restricted Maintenance at 2015/16 level
        - No funds set aside in assignments for future book adoptions

2017/18

- Revenue
    - LCFF/Property Tax Sources
        - 6.1% secured property tax growth, based on compound annual growth rate for the eight year period prior to 2016/17 (an increase from 5% growth projected at budget adoption)
        - 3.3% unsecured property tax growth, based on the average eight-year compound annual growth rate for the 15 years prior to 2016/17 (previously, no growth was projected due to the volatility of these taxes)
        - 1.11% COLA increase on Court-Ordered Voluntary Transfer (Tinsley) funding and Spec Ed/SELPA property tax transfers
        - $10,200 increase in Proposition 30, Education Protection Account funds, based on projected enrollment growth
        - 2.5% increase in Deferred Maintenance transfer ($659,850 total)

- Federal & Other State
  - Remove $731,747 prior year one-time funding for mandate reimbursement backlog and deferred revenue/carryover
  - $1,965,367 pass-through of State contribution to STRS on behalf of District employees (Other State Revenue)
  - $15,500 increase in Federal funding based on 2.5% Bay Area CPI
  - $22,500 increase in Lottery and Mandate Block grants based on projected enrollment growth
  - $94,500 Prop. 39, Clean Energy Act, funding (5th of 5 years)
- Other Local
  - 2.5% CPI on Parcel Taxes
  - Remove revenue generated from the 2010 Measure C parcel tax ($1,625,802)
  - $3.7M contribution from Menlo Park Atherton Education Foundation
  - $250,000 Eustace-Kwan grant (2nd of 3 years)
  - $21,200 increase for all Other Local based on 2.5% Bay Area CPI

- Expenditure
  - Salaries & Benefits
    - 2.4% compensation increase based on historical average for 10-year period prior to 2016/17 – <u>This amount is only a placeholder. Compensation is a mandatory subject of bargaining, and any compensation changes negotiated with the bargaining units require Board approval in order to become effective.</u>
    - Step & column advancements on the salary schedule for tenure
    - $1,965,367 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
    - +1.5 FTE Certificated, World Language program
    - 7% health care increase effective January 1, 2018
    - 1.85% increase in STRS employer rate (from 12.58% to 14.43%)
    - 1.61% increase in PERS employer rate (from 13.89% to 15.5%)
  - Other
    - Remove $726,837 prior year one-time expenditures for Laurel Upper Campus (from assigned balance), carryover, and other expenses
    - Remove $100,000 per year increase in Spec Ed contracted services
    - Add $111,700 increase in ongoing expenses based on 2.5% Bay Area CPI
    - Maintain Routing Restricted Maintenance at 2015/16 level
    - Restore $100,000 increase in assignments for future book adoptions

2018/19

- Revenue
  - LCFF/Property Tax Sources
    - 6.1% secured property tax growth, based on compound annual growth rate for the eight year period prior to 2016/17 (an increase from 3% growth projected at budget adoption)
    - 3.3% unsecured property tax growth, based on the average eight-year compound annual growth rate for the 15 years prior to 2016/17 (previously, no growth was projected due to the volatility of these taxes)
    - 2.42% COLA increase on Court-Ordered Voluntary Transfer (Tinsley) funding and Spec Ed/SELPA property tax transfers
    - $3,000 increase in Proposition 30, Education Protection Account funds, based on projected enrollment growth
    - 2.5% increase in Deferred Maintenance transfer ($676,350 total)
  - Federal & Other State
    - $2,120,916 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
    - $15,900 increase in Federal funding based on 2.5% Bay Area CPI
    - $3,200 increase in Lottery and Mandate Block grants based on projected enrollment growth
  - Other Local
    - 2.5% CPI on Parcel Taxes
    - $17,000 increase in contribution from Menlo Park Atherton Education Foundation – <u>This is a placeholder for budgetary planning based on prior year per student average and not an actual commitment by MPAEF to increase the contribution</u>.
    - $250,000 Eustace-Kwan grant (3rd of 3 years)
    - $21,700 increase for all Other Local based on 2.5% Bay Area CPI

- Expenditure
  - Salaries & Benefits
    - 2. 4% compensation increase based on historical average for 10-year period prior to 2016/17 – <u>This amount is only a placeholder. Compensation is a mandatory subject of bargaining, and any compensation changes negotiated with the bargaining units require Board approval in order to become effective.</u>
    - Step & column advancements on the salary schedule for tenure
    - $2,120,916 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%)

        - 1.60% increase in PERS employer rate (from 15.5% to 17.1%)
    - Other
        - Restore Routine Restricted Maintenance to 3% of total expenditures, an increase of $210,900
        - $94,500 reduction of one-time Prop. 39, Clean Energy Act, expenditures
        - $109,900 increase in ongoing expenses based on 2.5% Bay Area CPI
        - $102,500 increase in assignments for future book adoptions