Mountain View Whisman School District

Agenda Item for Board Meeting of December 12, 2013

Agenda Category: Review and Action

Agenda Item Title: First Interim Budget for 2013-14, Certification of the Financial Condition of the Mountain View Whisman School District, Resolution No. 1524.12/13

Estimated Time: 20 minutes

Person Responsible: Terese McNamee, Chief Business Officer

Background:

As required by AB 1366, Chapter 741 as amended September 17, 1985, the Governing Board of each school district shall certify in writing whether or not the school district is able to meet its financial obligations for the remainder of the fiscal year and that the Board intends to maintain a balanced budget with State-required reserves in the next two years, as shown on the Multi-Year Projection Disclosure Report. Additionally, the interim report is reviewed in accordance with the State-adopted Criteria and Standards (SACS). The attached Resolution No. 1524.12/13 delineates the changes from the Board-approved operating budget and provides the certifications required by the State.

A copy of the SACS report has been provided under separate cover to the Board and will be available for the public at the Board meeting. (Copies are available online at www.mvwsd.org or upon request from the Business Office).

Fiscal Implication:

Financial Highlights for 1st Interim Budget

- Total General Fund Revenue is projected at $49,508,184 including:
  - $32,820,116 (66%) LCFF State Revenue
  - $1,585,790 (3%) Federal Revenue
  - $3,428,385 (7%) Other State Revenue
  - $11,673,893 (24%) Local Revenue
- Total General Fund Expenses are projected at $46,287,665
  - Certificated Salaries $21,069,696
  - Classified Salaries $6,974,170
- Total General Fund Ending Balance is projected at $22,305,468
  - Net increase in fund balance of $2,353,319 from year end 2012-13
  - Total Unassigned Reserves of $11,482,634
- Other Fund Balances are projected at $51,937,464

General Overview: For the first time in 40 years, the State of California has changed the school funding model by establishing the Local Control Funding Formula, or LCFF. While Proposition 98 still governs the minimum percentage of the State budget spending for education, how that funding is calculated is now determined by the local control funding formula.

Important LCFF Facts

- LCFF replaces revenue limits and most state categorical programs
- All State aid received through LCFF is unrestricted and moves from a compliance model to a performance model of spending
- LCFF is estimated to take 8 years to reach full funding
- LCFF is a formula that provides a weighted student funding methodology
    - Every student generates the same amount of base funding
    - Adjustments for Grade Level and Demographics (Low Income, English Learners and Foster Youth)
- LCFF is designed to improve student outcomes
    - Local flexibility to meet student needs
    - Local decision making and stakeholder involvement
    - Simplicity to aid in transparency
    - Equity through student-focused formula (additional resources for students with greater needs)
    - Performance through aligned program and budget plans
- Accountability is measured through performance as outlined in the LCAP

LCFF And MVWSD: As we transition from revenue limit to LCFF the District's State revenue is increasing by $2,870,805 from $33,377,696 adopted budget to $36,248,501. In keeping with our historical trend, we are on the border of becoming a basic aid district and are only receiving State aid because of the hold harmless provisions of the new funding formula. As the District works toward full implementation of LCFF we expect our State revenue to annually increase toward our full target LCFF of $40,448,674.

In addition, the LCFF has consolidated most of the categorical funding including Economic Impact Aid into unrestricted general fund revenue. All Districts are expected to present a plan to support increased performance and improved outcomes by providing additional services, spending more on existing services and/or achieving more on the State priorities including: William's Act compliance, implementation of performance standards, partental involvement, pupil achievement, pupil engagement, school climate, programs and access for students with exceptional needs. While the plan is not required to be in effect until the 2014-15 school year, the District has already begun implementing programmatic changes that are aligned with the State priorities including: hiring instructional coaches, purchasing School Net assessment management software, expanding student laptop carts at each site, and providing professional development for teachers for English language learners. We expect to continue to expand on these programs and build upon feedback and input from the parent and community organizations to develop the official local control accountability plan for 2014-15.

<u>General Fund:</u>

The General Fund revenues projected for 2013-14 are $49,508,184. This is an increase of $6,852,652 (16.1%) compared to the adopted budget of $42,655,532. The General Fund revenue for 2013-14 includes projected revenues of $2,800,000 from the Parcel Tax, $486,500 from the Mountain View

Educational Foundation, and $223,330 from the CA Clean Energy Job Act. The increase comes from the change in funding from revenue limit to LCFF and the associated reduction of the fair share payment. In addition, both Shoreline and Google agreements were negotiated and will generate an additional $3.6M of revenue in 2013-14.

Total Outgo (including transfers and expenditures) in the General Fund is projected at $47,154,865 for 2013-14. This increase of $1,286,923 (2.8%) includes combined increases to instructional materials, professional development, and technology of approximately $480K due to the increased funding proposed to fund common core implementation. In addition, we received two State grants totaling $329K that will be used to purchase two busses. This expense will be reimbursed in 2014-15 but is shown in the current budget as an expense. Lastly, expenditures include proposed and approved increases in salaries for all bargaining groups and 6.9% increase in health benefits (Kaiser decreased .25% and ABC increased 7%) beginning in January 2014.

The estimated Ending Balance of the 2013-14 General Fund Budget is $22,305,468. The estimated Ending Balance includes the following:

- $947,545 for Parcel Tax Reserves
- $58,000 for Revolving Cash and Prepaid Expense
- $8,428,660 in Assigned and Restricted Categorical Funds

The 3% required reserve for the district is $1,388,630 of General Fund Unrestricted. Additional undesignated reserves above the 3% are $11,482,634 or 24.81%. Given the elimination of annual COLA adjustments to revenue as well as the eight-year implementation timeline for the LCFF, the District anticipates continued volatility in annual revenue. Revenue may potentially fluctuate between between 10%-15% annually and therefore, the recommended undesignated reserves should be at a minimum of 10%-15% and substantially higher than the State recommended 3%. It is expected that our current undesignated reserves will be required to address our projected operating deficit.

The Multi-Year Projection indicates that the District will meet the required 3% reserve for all three years.

Other Funds:

The District maintains funds outside of the general fund for Child Development, Child Nutrition, Deferred Maintenance, Special Reserve Fund, OPEB, Building Fund, Capital Facilities Fund, and Whisman Sports Pavilion. These funds have a combined balance of $51,937,464 and are used to fund capital improvements and deficits related to these areas. The 1st Interim Budget has increased the projected budgeted expenses to $6,792,104 for Fund 211 GO Bond Fund to reflect the anticipated construction schedule. The remaining bond funds are anticipated to be spent in 2014-15 for the two middle school projects.

Recommended Action:

The Board adopt Resolution No. 1524.12/13 and certify that the District is able to meet its financial obligations for the remainder of the fiscal year and that the Board intends to maintain a balanced budget with State required reserves in the next two fiscal years.