

**Mountain View Whisman School District**  
***Education for the World Ahead***  
**Board of Trustees – Special Meeting**



750-A San Pierre Way  
March 3, 2015  
7:00 p.m.

*Demonstrate, daily, a relentless commitment to the success of every child.*

*Academic Excellence ★ Strong Community ★ Broad Worldview*

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*As a courtesy to others, please turn off your cell phone upon entering.*

Under Approval of Agenda, item order may be changed. All times are approximate.

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|--|-------------|
| <b>I. CALL TO ORDER</b>  | <b>7:00</b> |
| A. Pledge  |             |
| B. Roll Call   |             |
| C. Approval of Agenda  |             |
| <br>   |             |
| <b>II. COMMUNICATIONS</b>  | <b>7:05</b> |
| A. <u>Community Comments</u>   |             |
| This is the time reserved for community members to address the Board on items that are not on the agenda. The Board and Administration welcome this opportunity to listen; however, in compliance with the Brown Act, the Board is not permitted to take action on non-agenda items. |             |
| Speakers are requested to complete a speaker card and state their name for the record.   |             |
| If there are additional comments after 10 minutes have elapsed, this item may be continued after all the action and discussion items are completed.  |             |
| <br>   |             |
| <b>III. STUDY SESSION</b>  | <b>7:15</b> |
| A. <u>District Budget</u>  |             |
| The Board will hold a study session regarding the District's budget.   |             |
| <br>   |             |
| <b>IV. ADJOURNMENT</b>   | <b>9:00</b> |
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## NOTICES FOR AUDIENCE MEMBERS

1. **RECORDING OF MEETINGS:**

The open session will be video recorded and live streamed on the District's website ([www.mvwsd.org](http://www.mvwsd.org)).

2. **CELL PHONES:**

As a courtesy to others, please turn off your cell phone upon entering.

3. **FRAGRANCE SENSITIVITY:**

Persons attending Board meeting are requested to refrain from using perfumes, colognes or any other products that might produce a scent or chemical emission.

4. **SPECIAL ASSISTANCE FOR ENGLISH TRANSLATION/INTERPRETATION:**

The Mountain View Whisman School District is dedicated to providing access and communication for all those who desire to attend Board meetings. Anyone planning to attend a Board meeting who requires special assistance or English translation or interpretation is asked to call the Superintendent's Office at (650) 526-3552 at least 48 hours in advance of the time and date of the meeting.

El Distrito Escolar de Mountain View Whisman esta dedicado a proveer acceso y comunicaci3n a todas las personas que deseen asistir a las reuniones de la Junta. Se pide que aquellas personas que planean asistir a esta reuni3n y requieren de asistencia especial llamen a la Oficina del Superintendente al (650) 526-3552 con por lo menos 48 horas de anticipaci3n del horario y fecha de esta reuni3n, para as3 poder coordinar los arreglos especiales.

5. **DOCUMENT AVAILABILITY:**

Documents provided to a majority of the Governing Board regarding an open session item on this agenda will be made available for public inspection in the District Office, located at 750-A San Pierre Way during normal business hours.

Los documentos que se les proveen a la mayor3a de los miembros de la Mesa Directiva sobre los temas en la sesi3n abierta de 3ste orden del d3a estar3n disponibles para la inspecci3n p3blica en la Oficina del Distrito, localizada en el 750-A San Pierre Way durante las horas de oficinas regulares.

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## Executive Summary

The purposes of this document are (1) to paint in broad strokes the financial status of the District, (2) to provide additional information to the Board about the implication of specific budget choices, and (3) to make recommendations on ways to pay for expenditures that staff believes will help improve the District's ability to provide outstanding services to students and their families.

Present expense and revenue projections suggest that the district will, for the foreseeable future, be in a situation in which on-going cost increases will exceed the rise in on-going revenue the district receives. In addition, there are expectations among some that the District strongly consider new educational initiatives, more overhead costs in the form of additional school sites, smaller class size, and a desire to increase the District's ability to attract and retain the very best teachers and administrators.

Fortunately, the District has a strong reserve. These resources exceed, in the opinion of staff, what a district of this size needs for economic uncertainty. While this reserve is not on-going money, this presents an excellent opportunity to address some near-term objectives. Long term, however, the District needs to maintain operating cost control in order to sustain all existing programs.

### **(1) BUDGET BROAD STROKES**

Below is a chart that describes the major budget changes expected in 2015-2016. For 2015-16, the District's operating revenue is improving from increasing LCFF funding and one-time State revenue. In addition, as the State funding for Common Core has ended the associated operating expenses are decreasing.

Mountain View Whisman School District General Fund (Restricted & Unrestricted Combined) Multi-year Projection for 2014-15 FCMAT Projections prepared as of February 18, 2015		Variance 15-16 to 14-15 2nd Interim Budget
(Assumes no growth in average daily attendance)		0
<b>BEGINNING FUND BALANCE</b>		<b>\$ 22,941,602</b>
<b>REVENUES</b>	LCFF Base Grant (Increase Ongoing)	497,183
	LCFF Supplemental (Increase Ongoing)	432,859
	Other State Revenues (One-Time Revenue)	581,042
	Federal Revenues (Not Including Title I)	(78,151)
	Local Revenues (Including Parcel Tax)	191,641
	<b>SUBTOTAL REVENUES</b>	<b>\$ 1,624,573</b>
<b>EXPENDITURES</b>	Certificated Salaries (Step & Column Only)	276,231
	Classified Salaries (Salary increase effective 1/1/15 & Step & Column)	388,168
	Benefits - H&W (10% Increase beginning 1/1/16)	262,976
	Benefits - Statutory (Increase STRS, PERS Ongoing)	75,583
	Books & Supplies (Decrease from 14-15 for one-time expenses)	(780,491)
	Contracts & Services	(28,961)
	Capital Outlay & Equipment (Required Increase for Routine Maintenance)	223,364
	Other Outgo/Indirect Cost Recovery	(32,664)
	<b>SUB-TOTAL EXPENDITURES</b>	<b>\$ 384,207</b>
<b>Excess (Deficiency) of Revenue over Expenditures</b>		<b>1,240,366</b>
<b>TRANSFERS OUT</b>	Transfer Out to Deferred Maintenance	0
	Transfer Out to Child Nutrition	13,638
	<b>Total Transfers Out</b>	<b>13,638</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS OUT</b>		<b>\$ 397,846</b>

Expected increases associated with larger health care costs, step and column increases for staff members, a ten percent increase in health and welfare costs (for the second half of the fiscal year, starting in

January, 2016) are projected to consume much of the additional on-going revenue the district will receive from the state in the coming year.

Medical costs for school districts and their employees have been rising for over a decade. And while this increase has slowed in recent years, the district should plan for a sizeable increase. Staff has assumed a 10% annual cost increase, with that increase amounting to a 5% hit on yearly cost in 2015-2016 because any cost increases would not go into effect until January 2016.

What is new for school districts is the rapidly increasing statutory increases in STRS and PERS retirement contributions from school districts. School district contributions for certificated (teacher and administrator) staff, as a percent of employee salaries, is expected to rise from 8.8% to 10.7% next year and then continue to stair-step up until it reaches 19.1% in 2021. While more gradual, classified employee retirement costs will also rise dramatically until it reaches 20.4%. These higher retirement costs are important to ensure the financial viability of state retirement systems, but will crowd out other costs. Because of these increases, the District must remain fiscally conservative in order to maintain current educational programs.

## ***(2) The Cost of Specific Ongoing Budget Items***

The chart below identifies the costs associated with particular budget priorities for new expenditures in 15-16:

<b>POTENTIAL IMPACT OF BUDGET DECISIONS ON ONGOING OPERATING REVENUE</b>		
<b>Excess (Deficiency) of Revenue over Outgo &amp; Expenditures</b>		<b>\$ (289,054)</b>
<b>ONGOING REVENUE &amp; TRANSFERS IN</b>		
Option 1	Discontinue Funding of OPEB	876,831
Option 2	Title I Funding (Castro & Theuerkauf)	340,000
<b>Subtotal of Potential Budget Impact</b>		<b>1,216,831</b>
<b>Excess (Deficiency) of Revenue over Outgo &amp; Expenditures after Budget Decisions</b>		<b>927,777</b>
<b>ONGOING EXPENSE &amp; TRANSFERS OUT</b>		
Option 2	Title 1 Funding (Castro & Theuerkauf)	(340,000)
Option 3	Open New School (9 Elementary Schools)	(982,992)
Option 4	Castro split into two schools Incremental Increase (\$462K Included in 15-16)	
Option 5	Loss of Rental Revenue (Whisman)	(899,571)
Option 6	1% Salary Increase Each Year	(363,174)
<b>Subtotal of Potential Budget Impact</b>		<b>\$ (2,585,737)</b>
<b>Excess (Deficiency) of Revenue over Outgo &amp; Expenditures after Budget Decisions</b>		<b>(1,657,960)</b>

Despite an additional \$887K of one-time money projected, the District is still projecting an operating deficit for 2015-16 of \$289,054. This deficit continues through the multi-year projections. In order to fund additional operating expenses the District must seek additional revenue in order to fund additional operating expenses such as those listed in Options 2-6. Without additional ongoing revenue, the District will significantly exhaust its reserves over the next 3-5 years.

## ***District Reserves, One-Time Expenses, and District Priorities***

The chart below identifies costs associated with one-time expenses and the impact on District reserves for 2015-16:

<b>RESERVE SUMMARY</b>		15-16 @ 2nd Interim Budget
ENDING BALANCE with current budget projections		\$ 22,652,548
<b>RESTRICTED/TARGETED and ASSIGNED BALANCES</b>		
	Assigned-Middle School Innovation Centers	4,920,466
	Restricted SPED, RRM, Categorical	1,086,925
	Restricted Parcel Tax Reserves	434,906
	Restricted CCSS	
TOTAL RESTRICTED/TARGETED and ASSIGNED		\$ 6,442,298
Subtotal Available Reserves		\$ 16,210,251
<b>DESIGNATED and Reserve for Economic Uncertainties</b>		
	Revolving Cash, Stores & Prepaid Exp.	31,856
	Designated-Site Discretionary	652,750
	Designated-Reserve for Economic Uncertainties	7,726,092
TOTAL DESIGNATED and Reserve for Economic Uncertainties		\$ 8,410,698
Subtotal Available Reserves		\$ 7,799,553
<b>POTENTIAL IMPACT ON RESERVES</b>		
UNRESTRICTED and UNASSIGNED RESERVES		\$ 7,799,553
	Unrestricted and Unassigned Reserve as % of Total Expense	15.14%
DESIGNATED and Reserve for Economic Uncertainties Required		3%
\$ Amount of Required Reserve for this school district		\$ 1,545,218
UNRESTRICTED and UNASSIGNED RESERVES		\$ 7,799,553
<b>POTENTIAL ONE-TIME EXPENSES</b>		
Option 7	Professional Learning/Common Core Standards Implementation	(1,000,000)
Option 8	Castro & Theuerkauf Turnaround Funding	(300,000)
Subtotal of Potential Reserve Impact		\$ (1,300,000)
Remaining Balance of Available Reserves after Potential Impact of Budget Decision		\$ 6,499,553
% of Reserves after deducting Potential Impact of Budget Decisions		12.62%

Over the past few years, the District has built very strong reserves exceeding \$20 million. While our projected operating deficit combined with volatility in State funding will require utilizing those reserves to maintain programs and sustain our current operating expenses, the reserves exceed what is necessary to protect against economic uncertainties. The District should consider utilizing reserves for one-time expenses that focus on student achievement.

### **(3) Budget Recommendations**

In order to appropriately fund the District priorities, the District believes the following recommendations properly reflect changes to budget assumptions that are sustainable and correctly match ongoing expenses with ongoing revenue and one-time expenses using reserves.

#### **(A. Ongoing Expenses)**

1. End Contributions to the Post Employment Benefits account ("OPEB") account that is intended to cover the costs of future retiree's medical costs and develop a plan to use funds in this account over the next thirty years so that fund and its liability are both reduced to zero at the same time.

In 2010, the District ended the practice of allowing new hires to be eligible for five years or until age 65, whichever is less, of retiree medical benefits under conditions similar to their previous employment status. This decision in many ways capped the unfunded cost to the District of present and future claims

for this benefit. The cost of providing retiree benefits has been on average \$220,000 per year. To fund this liability, per GASB, the District is budgeted to put aside \$876,831 for 2015-16. At present, the District's fund for this purpose stands at \$ 4,969,859.

Given the size of the fund relative to the annual cost and the fact that, over the next twenty-five to thirty years this liability will end, staff recommends that the district suspend payments into this account. This will allow the District to have an additional \$876,831 (adjusted annually) for ongoing operating costs. Further, at some point, the District could begin drawing down this fund, taking an annual payment of these reserves, equal to the annual retiree liability of these reserves, until the fund is exhausted. This would mean that the District would be responsibly matching costs to liabilities.

## 2. Use Shoreline money to fund general fund expenses.

This fiscal year, the District receives nearly \$3,000,000 as part of the Shoreline agreement with the City of Mountain View and other government entities. In the District, this money has been used for a variety of worthy things, such as chrome book carts for all schools, technology teachers at the middle schools, and educational software including ST Math and Lexia. Because the cost of these activities has been less than the revenue received, the Shoreline fund has an ending balance of \$6,991,651. Out of this balance, \$4,920,466 has been assigned to the Middle School Innovation Centers leaving an available balance of \$2,071,185.

Staff believes that, for the purposes of transparency and efficient operations, Shoreline revenue should immediately be used to fund additional general fund program expenses and district priorities. In the proposed budget for 2014-15 2<sup>nd</sup> Interim, shown below, these changes have been reflected for 2014-15 and beyond.

Mountain View Whisman School District General Fund (Restricted & Unrestricted Combined) Multi-year Projection for 2014-15 FCMAT Projections prepared as of February 18, 2015		2014-15 2nd Interim Budget Except As Noted \$ Amount	2015-16 2nd Interim Budget Except As Noted \$ Amount	2016-17 2nd Interim Budget Except As Noted \$ Amount	2017-18 2nd Interim Budget Except As Noted \$ Amount	2018-19 2nd Interim Budget Except As Noted \$ Amount
	Budget ADA	4,901.68	4,901.68	4,901.68	4,901.68	4,901.68
	<b>BEGINNING FUND BALANCE</b>	<b>\$ 24,707,384</b>	<b>\$ 22,941,602</b>	<b>22,652,548</b>	<b>\$ 20,807,770</b>	<b>\$ 17,946,955</b>
<b>REVENUES</b>	<b>LCFF Base Grant</b>	<b>34,002,909</b>	<b>34,500,092</b>	<b>35,040,738</b>	<b>36,383,218</b>	<b>37,779,397</b>
	LCFF Supplemental	1,853,483	2,288,342	2,361,047	2,361,047	2,361,047
	Other State Revenues	2,142,393	2,723,434	1,842,169	1,842,169	1,842,169
	Federal Revenues	1,886,665	1,808,514	1,631,907	1,655,641	1,679,730
	Local Revenues (including Parcel Tax)	10,785,033	10,976,674	11,197,444	8,632,572	8,882,917
	<b>TOTAL REVENUES</b>	<b>\$ 50,470,483</b>	<b>\$ 52,095,056</b>	<b>\$ 52,073,306</b>	<b>\$ 50,874,647</b>	<b>\$ 52,545,260</b>
<b>EXPENDITURES</b>	<b>Certificated Salaries</b>	<b>23,121,224</b>	<b>23,147,455</b>	<b>23,633,552</b>	<b>24,710,105</b>	<b>26,387,631</b>
	Classified Salaries	7,984,331	8,352,499	8,527,901	8,013,574	8,229,941
	Benefits - H&W	5,259,517	5,522,493	6,074,742	6,357,235	6,992,959
	Benefits - Statutory	4,782,003	4,837,586	4,936,807	5,038,947	5,147,383
	Books & Supplies	2,883,980	2,103,489	2,147,663	2,180,779	2,239,660
	Contracts & Services	7,209,674	7,180,713	7,331,508	6,804,047	6,852,250
	Capital Outlay & Equipment	235,000	458,364	467,990	479,689	492,641
	Other Outgo/Indirect Cost Recovery	(62,658)	(95,322)	(97,323)	(99,756)	(108,673)
	<b>SUB-TOTAL EXPENDITURES</b>	<b>\$ 51,373,071</b>	<b>\$ 51,607,278</b>	<b>\$ 53,022,839</b>	<b>\$ 53,484,620</b>	<b>\$ 56,233,691</b>
	<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>(902,588)</b>	<b>587,777</b>	<b>(949,533)</b>	<b>(2,609,973)</b>	<b>(3,688,331)</b>
<b>TRANSFERS OUT</b>	<b>Transfer Out to Deferred Maintenance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	Transfer Out to OPEB	863,193	876,831	895,245	917,626	876,831
	<b>Total Transfers Out</b>	<b>863,193</b>	<b>876,831</b>	<b>895,245</b>	<b>917,626</b>	<b>876,831</b>
	<b>TOTAL EXPENDITURES &amp; TRANSFERS OUT</b>	<b>\$ 52,236,264</b>	<b>\$ 52,384,110</b>	<b>\$ 53,918,084</b>	<b>\$ 54,402,246</b>	<b>\$ 57,110,423</b>
	<b>Excess (Deficiency) of Revenue over Outgo &amp; Expenditures</b>	<b>(1,765,781)</b>	<b>(289,054)</b>	<b>(1,844,778)</b>	<b>(3,527,599)</b>	<b>(4,565,162)</b>
	<b>ENDING BALANCE with current budget projections</b>	<b>\$ 22,941,602</b>	<b>\$ 22,652,548</b>	<b>\$ 20,807,770</b>	<b>\$ 17,280,171</b>	<b>\$ 13,381,792</b>

## 3. Reduce class size, as quickly as possible, at the K-3 level to no more than 26 with a school average of no more than 24

At present, class sizes are set at an average of 25 in grades K-3 with no limit on class sizes. Staff believes that this modest reduction in class size comes closer to matching community interests in terms of class size while balancing this priority with other important initiatives. Over time, resources may become available to do more in this area. Staff believes this is an important first step.

It should be noted that these smaller class sizes (and tighter upper class limits) may result in a greater percentage of students not being able to attend their neighborhood school. This will have to be monitored closely.

#### *4. Begin planning for renewal of parcel tax in spring of 2016*

Like virtually every district on the Peninsula, the District has a parcel tax that generates about \$2.8 million annually for important programs and the general operation of the district. This tax expires in June, 2017 if it is not renewed. This is a critical resource in order to sustain general operations and programs for the District. Staff will bring the status and possible renewal of this tax to the board this spring. The tentative date for this discussion is May 7.

#### ***(B. One-Time Expenses & Reserves)***

##### *1. Maintain a reserve level of 15% for economic uncertainty.*

Staff believes that a reserve equal to fifteen percent of annual expenditures is appropriate. As an annual practice, to maintain the 15% level the Board should adjust its reserve and review one-time expenses in light of the previous year's expenditures.

##### *2. Reduce the District's ending balance by setting aside funds for essential investments in professional development, school improvements, and other priorities that can be accomplished in 3-5 years.*

The District's strong ending balance represents both a challenge and an opportunity. Its size suggests there is money available for exciting initiatives that would enhance students' experiences in our schools. However, its finite nature means that the Board will have to be careful to spend resources in a manner that recognizes its one-time nature. Said another way, expenditures need to sunset with the exhaustion of the funds.

Two initiatives stand out to staff as being worthy of investment at this time. First, professional learning has been, and will increasingly be, an important part of the District's improvement efforts. With the implementation of Common Core Standards, the increasing integration of technology, and the need to keep teachers current with the latest pedagogical research, staff recommends that the District set aside \$3 million to be spent over the next three years for professional development. This money would be used to pay for teacher training over the summer and during the school year, administrator opportunities for leadership training, and training opportunities for classified employees. If state funds become available for curricular training, these funds could supplement this fund and/or extend the time resources from this fund could be used.

The second initiative is to invest heavily in proven school improvement activities for schools with the greatest rates of poverty and lower overall student performance – Theuerkauf and Castro. Staff recommends that the board set aside \$1,550,000 over the next few years to pay for these improvement (turnaround) efforts. Some of the costs here will include longer school days and years for affected students as well as additional coaches and facilitators.

The Board and community may decide that there are additional initiatives worthy of short-term investment. One-time money would be ideal for testing ideas and programs. Below is a chart that outlines the potential impact of these budget decisions on the ending reserve balances through 2018-19.

Mountain View Whisman School District General Fund (Restricted & Unrestricted Combined) Multi-year Projection for 2014-15 FCMAT Projections prepared as of February 18, 2015		2014-15 2nd Interim Budget Except As Noted \$ Amount	2015-16 2nd Interim Budget Except As Noted \$ Amount	2016-17 2nd Interim Budget Except As Noted \$ Amount	2017-18 2nd Interim Budget Except As Noted \$ Amount	2018-19 2nd Interim Budget Except As Noted \$ Amount
<b>RESTRICTED/TARGETED and COMMITTED BALANCES</b>						
Assigned-Middle School Innovation Centers		4,920,466	4,920,466	4,920,466	4,920,466	4,920,466
Restricted SPED, RRM, Categorical		1,113,029	1,086,925	1,038,905	901,358	863,702
Restricted Parcel Tax Reserves		791,777	434,906	0	0	0
<b>TOTAL RESTRICTED/TARGETED and ASSIGNED</b>		<b>\$ 6,825,272</b>	<b>\$ 6,442,298</b>	<b>\$ 5,959,371</b>	<b>\$ 5,821,824</b>	<b>\$ 5,784,168</b>
<b>Subtotal Available Reserves</b>		<b>\$ 16,116,331</b>	<b>\$ 16,210,251</b>	<b>\$ 14,848,399</b>	<b>\$ 11,458,347</b>	<b>\$ 7,597,624</b>
<b>DESIGNATED and Reserve for Economic Uncertainties</b>						
Revolving Cash, Stores & Prepaid Exp.		31,856	31,856	31,856	31,856	31,856
Designated-Site Discretionary		652,750	652,750	652,750	652,750	652,750
15% Designated-Reserve for Economic Uncertainties		7,705,961	7,726,082	7,953,426	7,922,676	8,180,768
<b>TOTAL DESIGNATED and Reserve for Economic Uncertainties</b>		<b>\$ 8,390,567</b>	<b>\$ 8,410,688</b>	<b>\$ 8,638,032</b>	<b>\$ 8,607,282</b>	<b>\$ 8,865,374</b>
<b>Subtotal Available Reserves</b>		<b>\$ 7,725,764</b>	<b>\$ 7,799,553</b>	<b>\$ 6,210,367</b>	<b>\$ 2,851,065</b>	<b>\$ (1,267,750)</b>
<b>UNRESTRICTED and UNASSIGNED</b>		<b>\$ 7,725,764</b>	<b>\$ 7,799,553</b>	<b>\$ 6,210,367</b>	<b>\$ 2,851,065</b>	<b>\$ (1,267,750)</b>
Unrestricted and Unassigned Reserve as % of Total Expense		15.04%	15.14%	11.71%	5.33%	-2.25%
<b>DESIGNATED and Reserve for Economic Uncertainties</b>						
\$ Amount of Required Reserve for this school district		\$ 1,541,192	\$ 1,545,218	\$ 1,590,685	\$ 1,604,539	\$ 1,687,008
<b>UNRESTRICTED and UNASSIGNED RESERVES</b>		<b>\$ 7,725,764</b>	<b>\$ 7,799,553</b>	<b>\$ 6,210,367</b>	<b>\$ 2,851,065</b>	<b>\$ (1,267,750)</b>
<b>POTENTIAL ONE-TIME EXPENSES</b>						
Option 7	Professional Learning/Common Core Standards Implementation		(1,000,000)	(1,000,000)	(1,000,000)	
Option 8	Castro & Theuerkauf Turnaround Funding		(300,000)	(500,000)	(500,000)	
	<b>Subtotal of Potential Reserve Impact</b>		<b>\$ (1,300,000)</b>	<b>\$ (1,500,000)</b>	<b>\$ (1,500,000)</b>	<b>\$ -</b>
	Remaining Balance of Available Reserves after Potential Impact of Budget Decision		<b>\$ 7,725,764</b>	<b>\$ 6,499,553</b>	<b>\$ 4,710,367</b>	<b>\$ 1,351,065</b>
	<b>% of Reserves after deducting Potential Impact of Budget Decisions</b>		<b>15.04%</b>	<b>12.62%</b>	<b>8.88%</b>	<b>-2.25%</b>

3. Finally, the Board could consider, now or in the future, committing Measure G bond funds of \$4,920,466 for the middle school modernizations and committing the Shoreline reserves to fund three additional years of Professional Learning/Common Core Standards Implementation and Castro & Theuerkauf turnaround funding.

While middle school construction expenditures exceeded the expectation of \$50 million, the scope of middle school work has also increased. The District chose to spend money that could have paid for key programming needs of the District on construction. One could argue that voters gave the District a strong mandate to improve its facilities by using bond funds for this purpose. The decision to spend only \$50 million on middle schools does not necessitate using general fund reserves to support this purpose. Both additional bond monies and or developer fees can be used appropriately for this purpose.



# **2014-15 Budget Study Session Presentation**

**March 3, 2015**

Terese McNamee, Chief Business Officer  
Mountain View Whisman School District

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## 2014-15 State Budget Update

- State revenue is \$2.5 billion above projections but in line with Legislative Analyst's Office (LAO) projections.
  - The LCFF is growing faster than the State Budget because it is primarily funded by increase in Proposition 98 funding which is currently fueled by the increase in Property Taxes
- Reserve cap goes into effect, but Governor willing to revisit and modify.
  - The reserve cap may be triggered in 2015-16
  - Working with Governor to repeal before inadvertently triggered
  - County Office willing to review and approve two year waivers

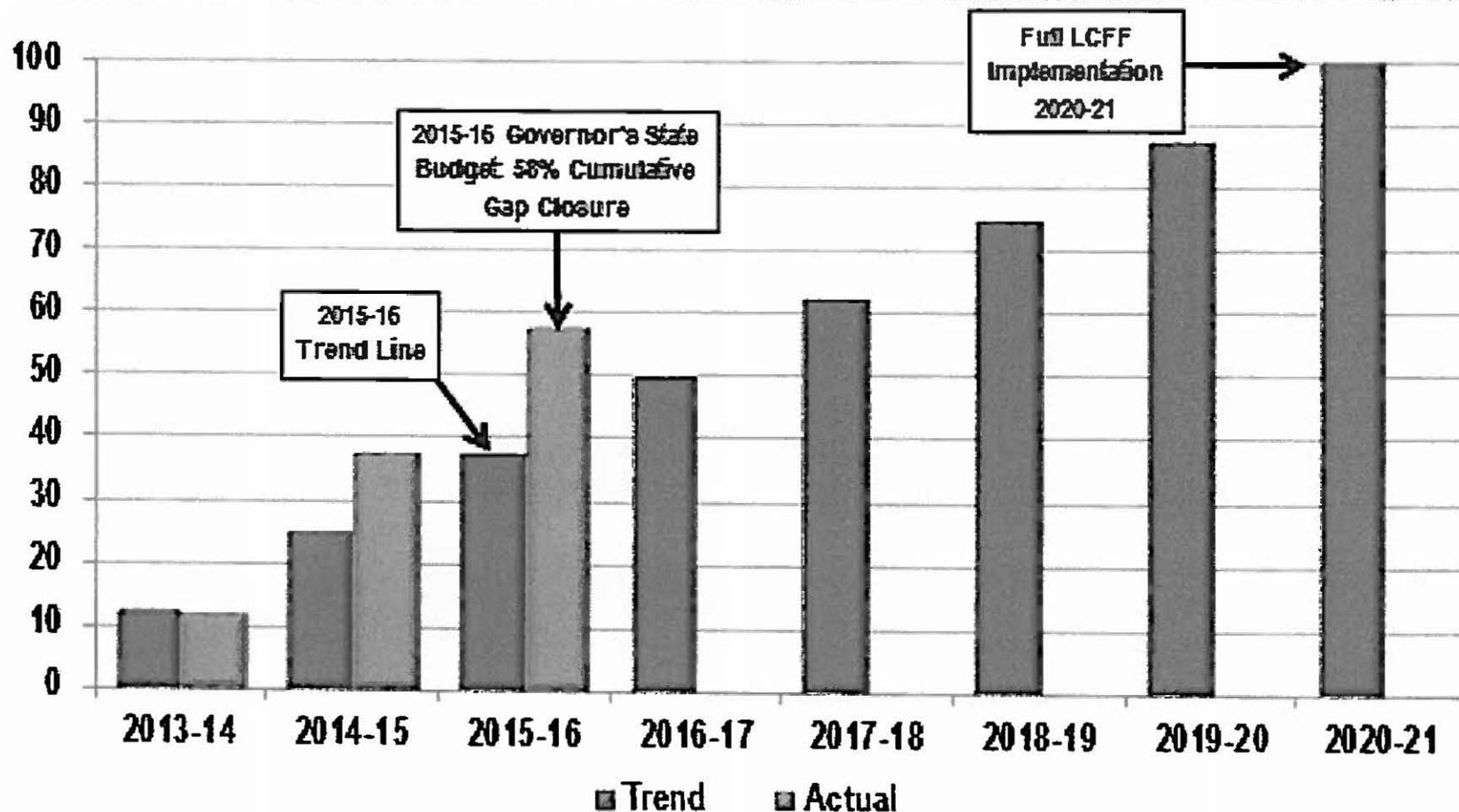
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## **Governor's 2015-16 State Budget Proposes:**

- \$4 billion for Local Control Funding Formula (LCFF) gap closure
  - New funding is estimated to close the gap between 2014-15 funding levels and LCFF full implementation targets by 32.19%
  - When combined with 2013-14 and 2014-15 LCFF funding, implementation progress would cover almost 58% of the gap in just three years
- \$1.1 billion for discretionary one-time uses, including Common Core implementation (one-time)
  - The allocation amounts to about \$180 per ADA for districts
- \$1 billion to eliminate apportionment deferrals
- \$100 million for Internet connectivity and infrastructure

# Progress Toward LCFF Implementation

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## **DISCUSSION OBJECTIVES**

- (1) to paint in broad strokes the financial status of the District
- (2) to provide additional information to the Board about the implication of specific budget choices, and
- (3) to make recommendations on ways to pay for expenditures that staff believes will help improve the District's ability to provide outstanding services to students and their families.

# BUDGET BROAD STROKES 15-16

Mountain View Whisman School District General Fund (Restricted & Unrestricted Combined) Multi-year Projection for 2014-15 FCMAT Projections prepared as of February 18, 2015 (Assumes no growth in average daily attendance)		Variance 15-16 to 14-15 2nd Interim Budget
	<b>BEGINNING FUND BALANCE</b>	\$ 22,941,602
<b>REVENUES</b>	LCFF Base Grant (Increase Ongoing)	497,183
	LCFF Supplemental (Increase Ongoing)	432,859
	Other State Revenues (One-Time Revenue)	581,042
	Federal Revenues (Not Including Title I)	(78,151)
	Local Revenues (Including Parcel Tax)	191,641
	<b>SUBTOTAL REVENUES</b>	\$ 1,624,573
<b>EXPENDITURES</b>	Certificated Salaries (Step & Column Only)	276,231
	Classified Salaries (Salary increase effective 1/1/15 & Step & Column)	388,168
	Benefits - H&W (10% Increase beginning 1/1/16)	262,976
	Benefits - Statutory (Increase STRS, PERS Ongoing)	75,583
	Books & Supplies (Decrease from 14-15 for one-time expenses)	(780,491)
	Contracts & Services	(28,961)
	Capital Outlay & Equipment (Required Increase for Routine Maintenance)	223,364
	Other Outgo/Indirect Cost Recovery	(32,664)
	<b>SUB-TOTAL EXPENDITURES</b>	\$ 384,207
	<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>1,240,366</b>
<b>TRANSFERS OUT</b>	Transfer Out to Deferred Maintenance	0
	Transfer Out to Child Nutrition	13,638
	<b>Total Transfers Out</b>	<b>13,638</b>
	<b>TOTAL EXPENDITURES &amp; TRANSFERS OUT</b>	<b>\$ 397,846</b>

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# BUDGET IMPLICATIONS

- Budget goal is to sustain existing operating programs and to fund short-term expenditures that support student achievement
- Sources of Funds
  - Operating Revenue - Ongoing and covers all general operations and shortfalls in other funds
  - Targeted Revenue - Some flexibility on use but cannot be used to fund general operations
  - Reserves- Fund economic uncertainties and one-time expenses
- To meet goal must use appropriate sources of funds for both ongoing programs and short term priorities.

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# BUDGET RECOMMENDATIONS

## (A) Ongoing Operating Expenses

- (1) End contributions to Post Employment Benefit account and consider withdrawing annual expenses from fund.
- (2) Use Shoreline money to support general fund expenses
- (3) Reduce class size, as quickly as possible, at the K-3 level to no more than 26 with a school average of no more than 24 in K-3. Look to limit combo classes
- (4) Begin planning for parcel tax renewal in Spring of 2016

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# BUDGET RECOMMENDATIONS

## (B) One-Time Expenses and Reserves

- (1) Maintain a reserve level of 15% for economic uncertainty
- (2) Reduce District's ending balance by committing funds for professional development, implementing Common Core State Standards, turnaround programming at Castro and Theuerkauf
- (3) Consider allocating additional Measure G funds to the middle schools and reallocating Shoreline reserves to additional years of funding for key priorities listed in item 2.