



Mountain View  
Whisman  
School District

# 2018-2019 Second Interim Budget Report / Governor's 2019-20 Budget Update

7 March 2019





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# Governor's January 2019-20 Budget Update

# General Theme of Budget Presentation

- The economy continues to outperform expectations, but the recovery from the Great Recession is in its tenth year and some fear a downturn is looming
  - National employment is robust
  - The Unemployment rate remains low at 3.9% in December 2018
  - Both the U.S. and California are at full employment
- Though not as robust, the housing market remains steady
- Proposition 98 requires a minimum percentage of the state budget to be spent on K-12 education.

## Prop 98 Growth is Slowing

- The minimum guarantee has declined from the 2018 Budget Act for both 2017-18 and 2018-19
- The 2019-20 minimum guarantee is \$80.7 billion (\$2.8 billion increase from 2017-18)
- Growth 9%, 9%, 3%



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# Impact on MVWSD

# The Proposed Education Budget Highlights

- No one-time discretionary funding proposed for 2019-20
- Grade Span Adjustment (24:1)
  - TK-3gr must be at 24:1 next year
- The K-12 COLA is 3.46% for 2019-20 and is applied to the LCFF base grants for each grade span
- 2019-20 LCFF growth provides an average increase in per-pupil funding of an estimated \$343 per ADA, or 3.37%
- Mandated Block Grant - \$32.24 per ADA
- Current Expense of Education Actuals (CEA)
  - approximately 43% of elementary districts did not meet CEA threshold of 60% in 2016-2017

# The Proposed Education Budget (cont'd.)

- After School Programs
  - No increases.
- Preschool reimbursement rates increased by 3.46% COLA
  - Part-day: \$30.94 per day
  - Full-day: \$49.95 per dayThe proposed Budget provides some bargaining opportunities and challenges.
- The annual increased cost of maintaining existing salary schedules, and related benefits, will continue to outpace annual COLAs leaving little, if any, dollars on the bargaining table

# The Proposed Education Budget (cont'd.)

- The proposed Budget provides some bargaining opportunities and challenges
- The annual increased cost of maintaining existing salary schedules, and related benefits, will continue to outpace annual COLAs leaving little, if any, dollars on the bargaining table
- In a COLA only environment, all districts receive the same percentage of funding increase. Increase in funding will be COLA-only.

|                       | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | Compounded Effect |
|-----------------------|---------|---------|---------|---------|---------|-------------------|
| <b>Statutory COLA</b> | 2.71%   | 3.46%   | 2.86%   | 2.92%   | 2.90%   | 15.76%            |
| <b>California CPI</b> | 3.58%   | 3.18%   | 3.05%   | 2.92%   | 3.15%   | 16.92%            |

# CalPERS and CalSTRS Rates

- CalPERS and CalSTRS
  - Employer Contribution Rates – Current Law Vs Governor’s Proposal

CalSTRS

| Fiscal Year | Current (per AB 1469) | Proposed (per Jan. Budget) | Effect of Jan. Budget |
|-------------|-----------------------|----------------------------|-----------------------|
| 2018–19     | 16.28                 | 16.28                      |                       |
| 2019–20     | 18.13                 | 17.1                       | -1.03                 |
| 2020–21     | 19.1                  | 18.1                       | -1.0                  |
| 2021–22     | 18.2*                 | 17.7*                      | -0.5                  |
| 2022–23     | 18.2*                 | 17.7*                      | -0.5                  |
| 2023–24     | 18.2*                 | 17.7*                      | -0.5                  |
| 2024–25     | 18.2*                 | 17.7*                      | -0.5                  |
| 2025–26     | 18.2*                 | 17.7*                      | -0.5                  |

CalPERS

| Fiscal Year | Projected Rates |
|-------------|-----------------|
| 2018–19     | 18.062          |
| 2019–20     | 20.7*           |
| 2020–21     | 23.4*           |
| 2021–22     | 24.5*           |
| 2022–23     | 25.0*           |
| 2023–24     | 25.5*           |
| 2024–25     | 25.7*           |
| 2025–26     | 25.5*           |

\* | **Proposed Reduction in STRS rate will save the District \$230K in 2019-2020 and \$204K in 2020-2021**

# Updates from First to Second Interim

| Change From First Interim to Second Interim |         |         |         |   |
|---|---------|---------|---------|---|
| Assumption                                  | 2018-19 | 2019-20 | 2020-21 | Applied to  |
| COLA %<br>Cost of Living Adjustment         | 0.00%   | 0.89%   | 0.19%   | <ul style="list-style-type: none"> <li>• LCFF</li> <li>• Special Education and other categorical programs</li> <li>• MBG</li> </ul> |
| CalSTRS Rate                                | 0.00%   | -1.03%  | -1.00%  | <ul style="list-style-type: none"> <li>• Certificated salaries</li> </ul>   |



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# 2018-19 Second Interim Report

# Budget Process

- The District is required twice during the year to certify the revenues and expenditures of the current year. The First Interim Report reflects activities for July 1 – October 31 and is adopted by December 15. The Second Interim Report reflects activities for July 1 – January 31 and is adopted by March 15.
- SP2021
  - Goal 5 Resource Stewardship
  - Strategy 5.1 Staff will utilize various resources to support the financial, facilities, and technology goals of the strategic plan.
  - Action A: The District will maintain a balanced general fund.
    - Board Action January 4, 2018 clarified the definition of a balanced general fund as an adopted budget when the reserve is 17%-20% in the third year and deficit spending may occur.

# Unrestricted and Restricted Categories

- **Unrestricted Revenues/Expenditures**
  - Discretionary funding used for general operations, all ongoing expenses, and shortfalls in other funds such as Special Education and Transportation (LCFF Sources/Community-Funded, Lease Revenue, Lottery).
- **Restricted Revenues/Expenditures**
  - Non-discretionary revenue used for specific expenditures for which the funding is intended (Special Education, Title I, II, III, ASES)
- **Reserves**
  - The “unrestricted ending balance” of Fund 01 used to fund “economic uncertainty” and one-time expenses.



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# General Fund

# Fund 01 General Fund

## Beginning and Ending Balances

|  | Unrestricted Programs | Restricted Programs  | Combined             |
|--|-----------------------|----------------------|----------------------|
| <b>Beginning Balance, July 1, 2018</b>                               | <b>\$24,570,380</b>   | <b>\$2,459,680</b>   | <b>\$27,030,060</b>  |
| <b>Total Revenues</b>  | \$45,569,401          | \$30,752,995         | \$76,322,396         |
| <b>Total Expenditures</b>  | \$48,630,633          | \$31,924,856         | \$80,555,489         |
| <b>Net Increase/(Decrease)</b>                                       | <b>(\$3,061,232)</b>  | <b>(\$1,171,861)</b> | <b>(\$4,233,093)</b> |
| <b>Ending Balance, June 30, 2019</b>                                 | <b>\$21,509,148</b>   | <b>\$1,287,819</b>   | <b>\$22,796,967</b>  |
| <b>Reserve Level</b>   |                       |                      | <b>26.7%</b>         |
| (Unrestricted Ending Balance divided by Total Combined Expenditures) |                       |                      |                      |

# From First Interim to Second Interim

| 2018-2019                                       | Revenues     | Expenditures |
|---|--------------|--------------|
| First Interim, December 2018                    | \$75,635,747 | \$80,518,402 |
| Second Interim, March 2019                      | \$76,322,396 | \$80,555,489 |
| Change,<br>from First Interim to Second Interim | \$686,649    | \$37,087     |

## Major Changes to Revenue:

Modest change in revenue; slight change in property tax and new donations.

## Major Changes to Expenditures:

Net of: 1% Off Salary Schedule to Classified Unit; departmental reductions and new donation expenditures.

# Fund 01 General Fund Multi Year Projection

|                                      | 2018-2019<br>(Year 1) | 2019-2020<br>(Year 2) | 2020-2021<br>(Year 3) |
|--------------------------------------|-----------------------|-----------------------|-----------------------|
| <b>Beginning Balance,<br/>July 1</b> | \$27,030,060          | \$22,796,967          | \$18,531,763          |
| <b>Total Revenues</b>                | \$76,322,396          | \$73,321,007          | \$74,892,735          |
| <b>Total Expenditures</b>            | \$80,555,489          | \$77,586,211          | \$78,546,306          |
| <b>Net Increase/(Decrease)</b>       | (\$4,233,093)         | (\$4,265,204)         | (\$3,653,571)         |
| <b>Ending Balance,<br/>June 30</b>   | \$22,796,967          | \$18,531,763          | \$14,878,192          |
| <b>Reserve Level</b>                 | <b>26.7%</b>          | <b>22.8%</b>          | <b>17.7%</b>          |



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# Other Funds

# Summary of Other Funds

| Fund Title                                 | Beginning Balance | Revenues    | Expenditures | Ending Balance |
|--|-------------------|-------------|--------------|----------------|
| 12<br>Preschool                            | \$16,135          | \$1,846,797 | \$1,783,343  | \$79,588       |
| 13<br>Food Service                         | \$108,728         | \$2,825,043 | \$2,825,043  | \$108,728      |
| 20<br>Postemployment Benefits              | \$5,151,791       | \$60,000    | \$0.00       | \$5,211,791    |
| 21<br>Capital Projects                     | \$51,762,252      | \$3,780,595 | \$55,367,330 | \$175,517      |
| 25<br>Developer Fees                       | \$0.00            | \$310,524   | \$310,524    | \$0.00         |
| 40<br>Special Reserve for Capital Projects | \$38,165,952      | \$2,531,034 | \$32,307,622 | \$8,389,394    |



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# Potential Impacts to Budget

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- Positive Impact
  - Healthy reserve level
  - Expenditure austerity continues
- Negative Impact
  - Reliance on Lease and Developer Fee revenue for COP payment
  - Slowing assessed valuation growth
  - Bullis Mountain View Charter (In-Lieu) Tax Loss (2019-20) and beyond.



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# Next Steps

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- Board questions and discussion
- Staff recommends approval of the 2018-2019 Second Interim Budget Report as presented
- Staff is working on 2019-20 LCAP and Budget Development