

**Millbrae School District**  
**First Interim Report for Fiscal Year 2011/12**  
**Executive Summary**



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December 12, 2011

## ***INTRODUCTION:***

The Executive Summary is an overview of the financial data reported in the Standardized Account Code Structure (SACS) First Interim Report. It is to assist the general public in understanding the information being reported on the SACS forms.

Education Code requires districts to submit reports to the County Office of Education (COE) twice a year. This report is referred to as “Interim Report.” The First Interim financial report shall reflect changes to the budget through October 31; the Second Interim financial report shall reflect changes to the budget through January 31.

For each interim report, the District must use multi-year projections to certify one of the following:

- Positive Certification: District WILL MEET their financial obligations for the current and two subsequent fiscal years.
- Qualified Certification: District MAY NOT MEET their financial obligations for the current or two subsequent fiscal years.
- Negative Certification: District WILL BE UNABLE TO MEET their financial obligations for the remainder of the current year or subsequent fiscal years based upon current projections (not meeting reserves in current year or negative fund balance in any year).

**BUDGET CALENDAR:**

Budget Calendar  
FY 2011-12

June	Board adopts FY 2011-12 Budget
July	Business Office Staff works on the Year-End Closing (FY 2010-11)
August	Business Office Staff works on the Year-End Closing; September release of prior year's Unaudited Actuals (FY 2010-11)
October	First Interim cut-off (FY 2011-12)
December	Release of First Interim (FY 2011-12); Release of Auditor's Report for the prior year (FY 2011-12)
January	Governor releases State budget proposal for the next year (FY 2012-13); 2 <sup>nd</sup> Interim cut-off
February	School Board conducts budget study session (based on the Governor's budget proposal)
March	Governing Board establishes priorities for the next year (FY 2012-13); District releases the 2 <sup>nd</sup> Interim for the current year (FY 2011-12)
April	School Board conducts budget study session
May	Release of Governor's May Revise (FY 2012-13); School Board conducts budget study session
June	Board adopts FY 2012-13 Budget

**Financial Report Information:**

The District’s Budget and Accounting format are based on the California School Accounting Manual (CSAM) and utilize the Standardized Account Code Structure (SACS). Accounting is the fiscal information system for business. The District’s accounting, referred to as Governmental Accounting, is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitation.

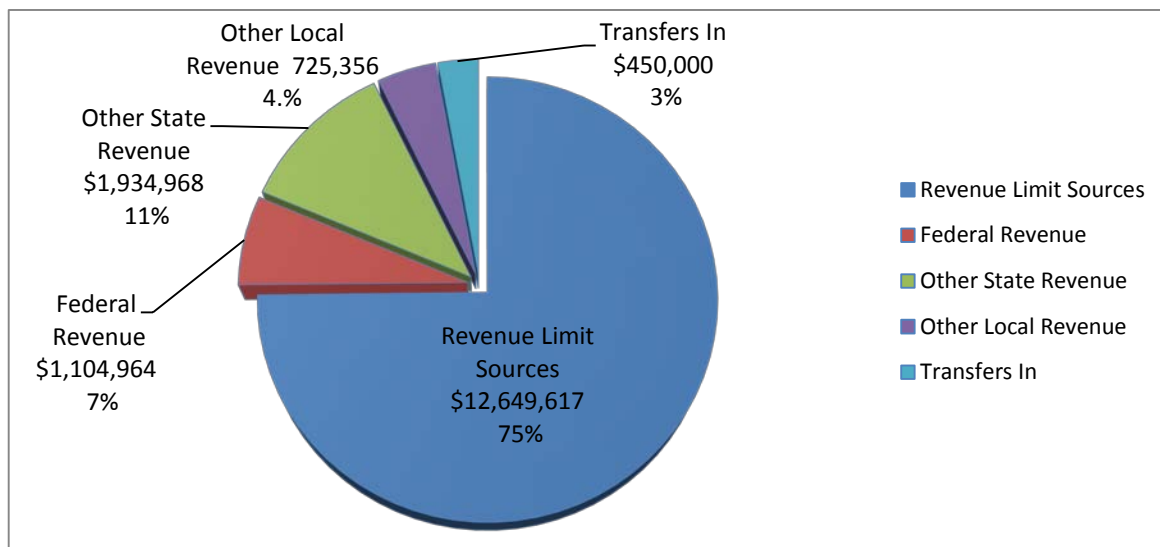
**GENERAL FUND (Fund 01):** The General Fund is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions, except those required or permitted by law to be in another fund, are accounted for in this fund. The General Fund consists of unrestricted and restricted funds.

**General Fund, Unrestricted:** General Fund, Unrestricted, is to account for projects and activities that are funded with unrestricted revenues.

**General Fund, Restricted:** General Fund, Restricted, is to account for projects and activities that are funded by external revenue sources that are legally restricted or restricted by the grantor to specific purposes.

**General Fund Revenues: \$16,904,933 (Unrestricted \$13,695,525; Restricted \$3,209,408)**

The following chart illustrates the funding source of the total General Fund revenues.



**Revenue Limit Source** (Object 8010-8099): \$12,649,617  
(Unrestricted \$11,696,635; Restricted \$952,982)

Revenue Limit Source represents 75% of the total General Fund revenues. It is the prime revenue component of the District's total revenue source.

The unrestricted portions represent the Proposition 98 education funding including the Principal Apportionment (P2 Average Daily Attendance) and property taxes. Due to the fiscal crisis, the State of California will not fund Cost of Living Adjustment (COLA) of 2.24%, and this is coupled with a deficit factor of 19.754%. The District is losing \$1,259.13 per Average Daily Attendance.

The restricted portion in the amount of \$952,982 represents the Special Education portion of revenue limit taxes to fund Special Education Programs.

**Federal Revenue** (Object 8100-8299): \$1,104,964

Federal Revenue represents 7% of the total General Fund revenues. It includes funding for Special Education in the amount of \$426,260; No Child Left Behind (NCLB) in the amount of \$454,042 including Title I, Title II and Title III, and one-time carry over Federal Jobs revenue in the amount of \$224,662. Compared to the original budget, the Federal Revenue has increased due to the carryover amounts.

**Other State Revenue** (Object 8300-8599): \$1,934,968  
(Unrestricted \$1,398,216; Restricted \$536,752)

Other State Revenue is the second largest revenue source for the District. It represents 11% of the total General Fund revenues. To help offset the impact of revenue reductions, the State has provided flexibility with certain State categorical funds with the Tier III shift. The District has fully utilized the flexibility and sweep allowance to help backfill the budget gap.

Other restricted, categorical funds include Special Education, Home-to-School Transportation, Economic Impact Aid (EIA), and restricted Lottery. Other State Revenues increased from the original budget by \$110,797 due to carryover amounts in the categorical funds.

**Other Local Revenue** (Object 8600-8799): \$725,356  
(Unrestricted \$150,674; Restricted \$574,682)

Other Local Revenue represents 4.2% of the total General Fund revenues. Compared to the original budget, local revenue has increased significantly. The increase of \$382,701 is due to local and school site donations received throughout the year and prior year's carryover. It is recognized in the budget when the funds are available or received.

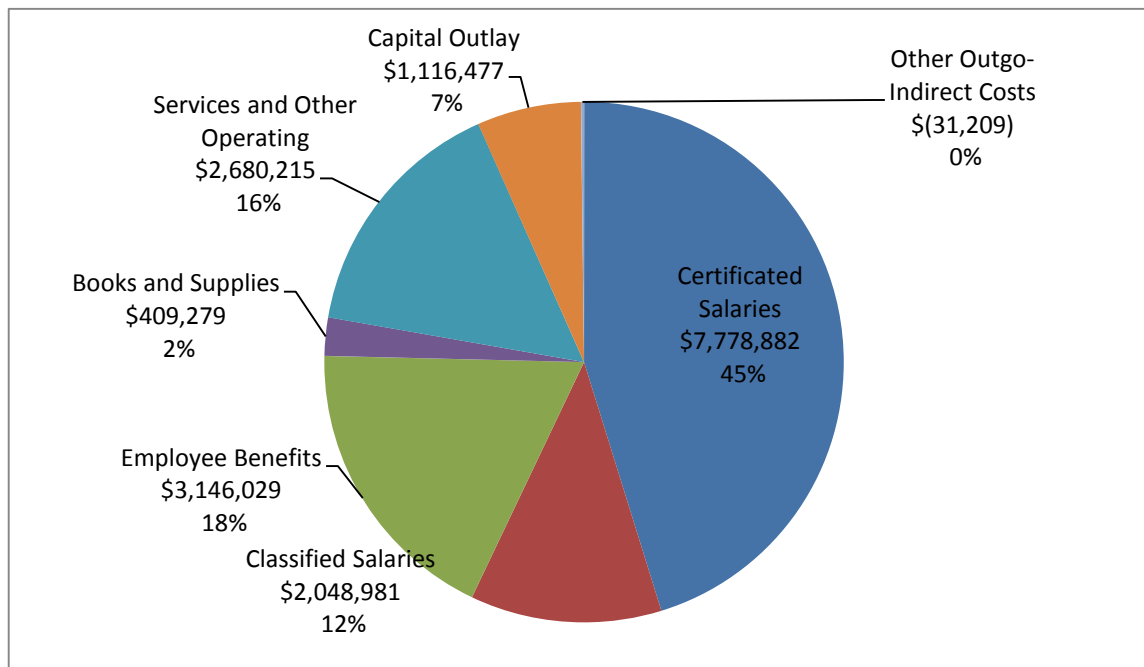
The unrestricted portions include interest income, and reimbursement from San Francisco State University for .6 Full Time Equivalents (FTE) for interagency service.

The current year contribution of \$160,422 and \$6,573 of carryover funds from the Millbrae Education Foundation is included in the Other Local Revenue, restricted account.

**Transfers In** (Object 8900-8929): \$490,028

Transfers In represents 3% of the total General Fund revenues. This represents a transfer in of funds from Special Reserve Funds to the General Fund to reimburse General Fund for 1 Alp Way expenses as per waiver approval. It also represents a transfer of funds from the cell tower and lease payments received.

**General Fund Expenditures: \$17,148,654 (Unrestricted \$11,071,606; Restricted \$6,077,048)**



**Certificated Salaries** (Object 1000-1999): \$7,778,882  
(Unrestricted \$6,478,527; Restricted \$1,300,355)

Certificated Salaries are positions that require a credential or permit issued by the Commission on Teacher Credentialing. The total Full Time Equivalent (FTE) is budgeted for 103.7 as compared to 97.4 in 2010-11, which is an increase of 6.3 FTE. The increase is due to the increase in student enrollment and restructuring in the Special Education program services. Certificated salaries represent 45% of the total General Fund expenditures; 83% of the total certificated positions are funded by unrestricted funds, and 17% of the total positions are funded by restricted funds.

**Classified Salaries** (Object 2000-2999): \$2,048,981  
(Unrestricted \$1,260,148; Restricted \$788,833)

Classified Salaries represents the positions that do not require a credential or permit issued by the Commission on Teacher Credentialing. The positions in this classification are Administrative Assistant, Administrative Secretary, Attendance Secretary, District Office Staff, Instructional Aide and Maintenance and Operations staff. The classified FTEs are 42.92, excluding Food Services Personnel who are funded outside the General Fund. Classified Salaries are about 12% of the total General Fund expenditures. 62% of the total classified positions are funded by unrestricted funds, and 38% of the total classified positions are funded by restricted funds.

**Employee Benefits** (Object 3000-3999): \$3,146,029  
(Unrestricted \$2,468,891; Restricted \$677,138)

Employee Benefits account for employers' contributions to retirement plans: State Teachers' Retirement System (STRS), Public Employees' Retirement System (PERS), Health and Welfare benefits and the payroll related statutory costs, such as Workers' Compensation, State Unemployment Insurance, FICA, and Medicare. It is about 18% of the total General Fund expenditures.

Education is a people business. It takes people to teach people. Therefore, the biggest expense for the District would be salaries and benefits. Total compensation for the District is \$12,973,892 and that represents 76% of total expenditures.

**Books and Supplies** (Object 4000-4999): \$409,279  
(Unrestricted \$162,095; Restricted \$247,184)

This is to account for expenditures for books and supplies, other reference materials, and non-capitalized equipment. It is the smallest expenditures classification and represents about 2% of the total expenditures.

**Services and Other Operation Expenditures** (Object 5000-5999): \$2,680,215  
(Unrestricted \$775,687; Restricted \$1,904,528)

Services and Other Operation Expenditures is to account for expenditures for services, rentals, leases, maintenance contracts, dues, travel, insurance, utilities, legal and other operating expenditures. It is about 16% of the total expenditures. The majority of the expenditures are in the restricted funds for special education needs.

**Capital Outlay** (Object 6000-6999): \$0

Due to the budget shortfall, no allocation has been made to this category.

**Other Outgo/Transfer Out** (Object 7000-7699): \$1,085,268  
(Unrestricted \$73,742; Restricted \$1,159,010)

The unrestricted amount of Other Outgo/Transfer Out represents Indirect Costs.

The restricted portion represents the payment and tuition to County programs and other Local Educational Agencies for Special Education programs.

### ***Multi-Year Projections:***

The Multi-Year Projection, a required component of budget adoption, demonstrates the requirement that the District will meet its financial obligations in the current and subsequent two years. The Multi-Year Projection also indicates the District's ability to maintain the required reserve for economic uncertainties for the current and subsequent two years. The following are the projections and assumptions:

### **MULTI-YEAR PROJECTIONS AND ASSUMPTIONS:**

The Multi-Year Projection for the First Interim Report utilizes the recommended assumptions published by School Services of California (SSC) dated September 12, 2011 for the development of these projections. County Offices of Education throughout the State prepare a common message as guidance for school districts. The San Mateo County Office of Education has suggested districts in the County reserve an amount of up to 4% of the revenue limit due to the "trigger language" that was part of the State's adopted budget. This trigger language indicated that if certain projected revenues were not received by a certain date, budget reductions would occur that will affect school districts and public education. Therefore, the District has reserved \$581,101 in its Fund Balance. Salary and benefit projections include estimated step and column increases. All other expenditures have been increased based on anticipated on-going expenses.

The budget year cutbacks, FY 2011-12, with cooperation from all bargaining units and use of Tier III categorical flexibilities, included:

- reduction of five (5) Instructional Days for all bargaining units
- elimination of three (3) Staff Development days
- reduction of Maintenance/Grounds
- reduction of Technology/Media Assistants at the elementary sites
- reduction of Administrative Secretary
- reduction of Data Entry Clerk

The assumptions for the FY 2012-13:

- Instructional Days return to 180 days
- No Federal, one-time dollars to close the budget gap
- No COLAs

The Fiscal Year 2011-12 Budget is in balance as we are developing the First Interim. However, the District will experience a significant budget shortfall for the subsequent years, 2012-13 and 2013-14. The Multi-Year Projection for the First Interim utilizes the recommended assumptions published by School Services of California (SSC) for the development of revenue projections except no COLAs were used in the subsequent years. SSC shows COLAs for the next two years to be 3.10% and 2.80%, respectively.

<b>Factors</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
• Statutory COLA	2.24%	0%	0%
• Revenue Limit Deficits	19.754%	19.754%	19.754%
• Enrollment (as CBEDs)	2,322	2,322	2,322
• Projected P-2 ADA	2,265.00	2,265.00	2,265.00
• K-3 Funding	\$524,790	\$525,000	\$525,000

The Multi-Year Projection indicates the District will have a balanced budget for the subsequent years. But in both years there is deficit spending and budget reductions indicated.

<b>Total General Fund (Unrestricted and Restricted)</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
Total Revenue	16,904,933	16,072,991	16,088,373
Total Expenditures	17,148,654	16,600,443	16,265,164
Net	(243,721)	(527,452)	(176,791)
Beginning Balance	1,450,463	1,206,742	679,291
Ending Balance	1,206,742	679,291	502,500
Required Reserve	515,000	500,000	500,000
Reserve for "Trigger Language"	581,101		
<b>BUDGET SHORTFALL:</b>		<b>( 527,452 )</b>	<b>( 176,791 )</b>

**FINAL NOTES:**

It is imperative that the Board and the staff continue to seek and fully implement cost containment programs and reductions and look into the possibilities of enhancing revenues. The common message from the county offices of education states that districts should "plan for the worst and hope for the best." Millbrae School District is planning on the worst by reserving the 4% mid-year reduction, but hoping for the best by not indicating this as an on-going expenditure. If the mid-year cuts are realized, they will occur in February of 2012; eight months after the school year has been in effect.