



Budget Advisory Parcel Tax Oversight Joint Committee

Desired Outcomes

In the News.....

May Revise

Pensions

2nd Interim Financial Report

2nd Interim - Measure N {Parcel Tax}

Importance of Reserves

School District's Certification

MEF Update

Next Steps

Millbrae Elementary School District
April 25, 2019

All meetings of the Committee are open to the public and are noticed and conducted in compliance with the Ralph M. Brown Act. (Government Code § 54950 *et seq.*)

Welcome and Introductions

Committee Members

Parent Member-SV/TA

Karen Chin

Parent Member-TA

Christina DuCote

Parent Member-TA, ME

Whitney Broussard

Community Member

Catherine Quigg

Parent Member-GH

Usha Ranji

Parent Member-GH

Katherine Statton

Parent Member-SV/ME

Jon Yan

Superintendent

Vahn Phayprasert

Chief Business Official

Rick Champion

Supervisor of Business Services

Denice LaCroix

Technology Specialist

Frank Lagomarsino

Governing Board Members

Frank Barbaro

Don Revelo

Administrators and Board



What does success look like tonight?

In the News!
Upcoming May Revise
2nd Interim Financial Statements
2nd Interim -Measure N {Parcel Tax}
School District's Certification
Importance of Reserves
MEF Update!
Next Steps





Purpose

Budget Advisory Committee

The goal of the committee is to inform stakeholders on how the District's budget works, budget assumptions, LCFF and LCAP process, and provide a forum to answer questions.

Parcel Tax Oversight Committee

To aid the Board in fulfilling its fiduciary duties to review expenditures of Measure N revenue to ensure its use in accordance with the voter approved parcel tax ballot measure



Your Role

- To ensure the district's spends the Measure N revenues in accordance with the language of voter approved ballot as Board adopted in the FY 2018-2019 budget
- Report on an annual basis to the Board and community on use of funds in accordance with the ballot language.
- Gain an understanding of the District's budget, budget assumptions, LCFF and LCAP process, and provide a forum to answer questions
- Unique position to provide comments to aid the district in the preparation of the 2019-20 Budget





In the News







Upcoming May Revise



May Revise...coming soon!

January General Fund revenues are down \$2.2 billion through February (Most of the shortfall has occurred in the personal income tax (\$2.8 billion))

The stock market sell-off in December 2018 could portend lower capital gains collections
The DOF will not likely include tax revenues from anticipated IPOs to make up this loss

Therefore, April collections will be critical

- About \$17.8 billion in personal income taxes must be collected to reach the January forecast level

In its annual review of the Governor's Budget, the LAO advised the Legislature that the May Revision could propose reductions from the January state spending plan, as a result of a slowing economy and weaker revenue collections

Proposition 98 could fall from current levels if state revenues are revised downward could result in a reduction in the Local Control Funding Formula COLA or a smaller allocation for the new Special Education categorical program



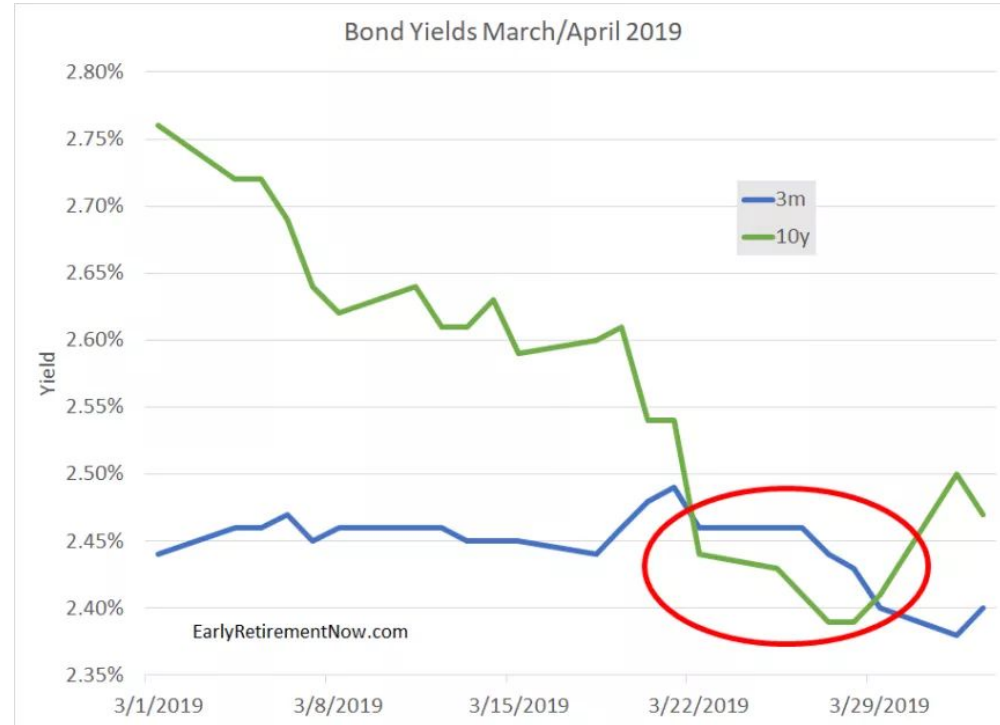
Inverted Yield Curve-Signal of an recession?

What is the yield curve?

- This is a measure of investment returns on debt as the time to maturity lengthens. Under normal circumstances the yield curve rises, reflecting higher interest rates paid for longer term debt.

What happened?

- On Friday, March 22, 2019, yields on ten-year bonds fell below three-month notes for the first time since 2007. In other words, the yield curve was flattening.





only in California....



The investment community is anticipating that a number of high-tech companies may go public in 2019 or 2020

- Uber, Lyft, Airbnb, Pinterest, Slack and more
- Facebook went public in 2012 and generated \$1.65 billion in capital gains tax revenues to the state General Fund
- Lyft's initial public offering (IPO) went to market at \$20 billion and Uber's IPO may reach \$120 billion

These IPOs will create thousands of new millionaires who will pay California taxes at the top rate of 13.3% These payments would generate billions of dollars, which are not included in current forecasts of General Fund revenues





It's an obligation, not an option
Pension Costs





OSBO
Professional Development

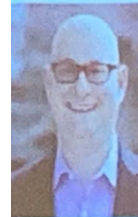
CONVERSATION WITH CALIFORNIA'S PENSION LEADERS

The Day Live on CalSTRS
and CalPERS

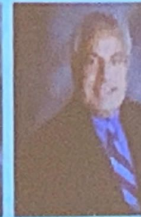


TODAY'S PRESENTERS

Derick Lennox
Legislative Counsel, Capitol Advisors Group



Jack Ehnes
Chief Executive Officer, CalSTRS



Gabe Soumakian, Ed.D.
Superintendent-in-Residence, Teachers' Pension

Michael Cohen
Chief Financial Officer, CalPERS



School District Pension Costs.....



CalPERS & CalSTRS

March 19, 2019

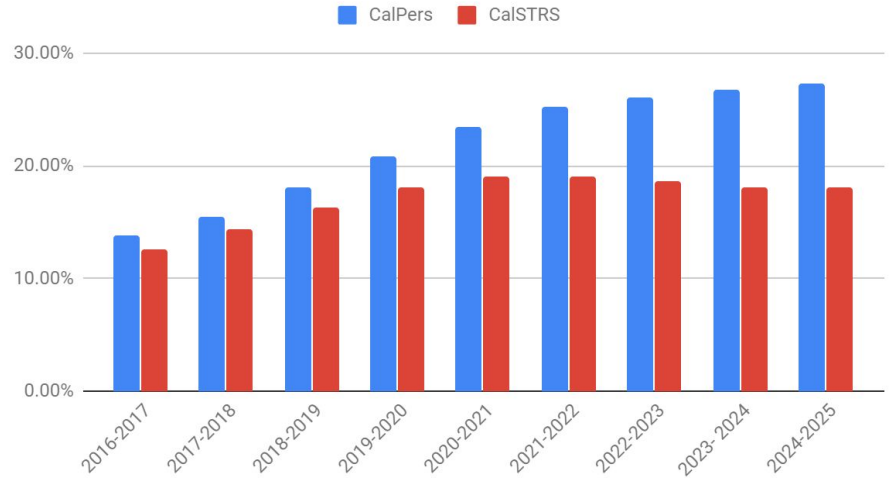
2nd Interim Report FY 2018-19

CalPERS Funding Levels and [Risks Report](#) given to the board released November 18, 2018 **“The greatest risk to the system continues to be the ability of employers to make their required contributions,”** and **“there is evidence some public agencies are “under significant strain” absorbing the required increases”**.

CalSTRS actuarial firm stated the expected **“increase [in] unfunded liability will likely result in the need for higher contributions in the future.”**



CalPers and CalSTRS



Question: What is the impact to Millbrae School District?
2018/2019 - 2020/21 MYP

Est. Cost Increase per year	
2018/19	Est. \$310,810
2019/20	Est. \$322,812
2020/21	Est. \$215,635

The role of pensions.....

Female - 72% of STRS members

Retirement age 62.9 with 25 years of service

Average STRS monthly benefit \$4,086 (265k participants) - replaces 55.7% of current income

Female teachers live A LOT longer than non-teachers (source: STRS, PERS & Social Security) 8 years

- financial stress point

Females that reach age 62 will live over 90 years old... (asking women save for 28 years of income).....Do you think it is going to come from 401K?

- 5 year life experiences for female teachers

59% of all American workers do not have a retirement account





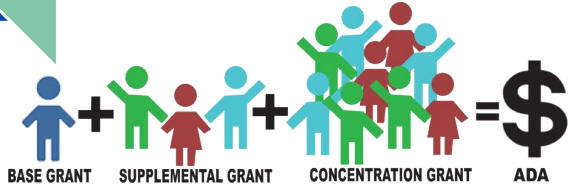
Our 2nd Interim 2018-2019

Financial Statements

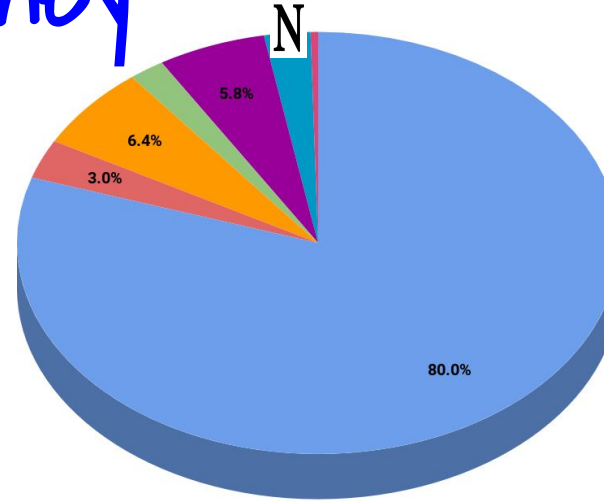


How We Get Our Money

March 19, 2019



ADA 39% N/A



- LCFF Sources \$21,340,927
- Federal Revenue \$799,199
- Other State Revenue \$1,701,589
- Lottery \$510,828
- Other Local Revenue \$1,548,801
- Measure N \$663,577
- Transfers \$106,318

2nd Interim Report FY 2018-19

	<u>Budget</u>	<u>1st Interim</u>	<u>2nd Interim</u>
Revenues:	\$25,245,093	\$26,445,466	\$26,564,911
<i>Unrestricted</i>	\$21,767,836	\$21,659,924	\$21,720,157
<i>Restricted</i>	\$3,477,257	\$4,785,542	\$4,844,754

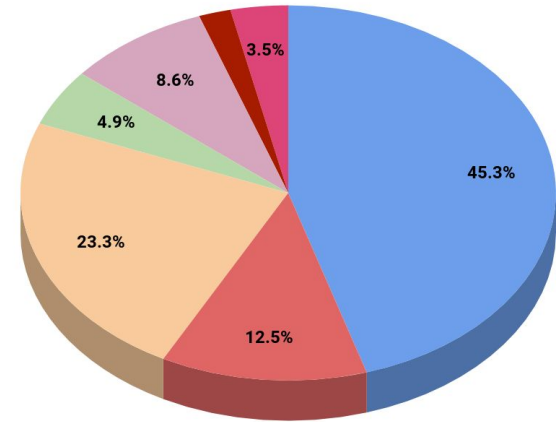


How We Spend

March 19, 2019

The KEY to our success are the people who work here. Millbrae School District values its employees. Typically between 82% of every General Fund dollar is used for salary and benefits.

- **Certificated Salaries**
\$12,152,121
- **Classified Salaries**
\$3,345,500
- **Benefits** \$6,256,772
- **Books/Supplies**
\$1,326,438
- **Services** \$2,316,915
- **Capital Outlay**
\$519,163
- **Other** \$930,841



2nd Interim Report FY 2018-19

Expenditures:	<u>Budget</u>	<u>1st Interim</u>	<u>2nd Interim</u>
	\$25,245,093	\$26,445,466	\$26,813,750
<i>Wages/Benefits</i>	\$21,688,261	\$21,844,749	\$21,754,393
<i>Books/Supplies</i>	\$ 485,179	\$ 1,263,073	\$1,326,438
<i>Services/Ops</i>	\$ 2,488,495	\$ 2,274,289	\$2,316,915
<i>Capital Outlay</i>	\$ 0	\$ 519,163	\$519,163
<i>Other</i>	\$ 731,258	\$ 916,410	\$930,841





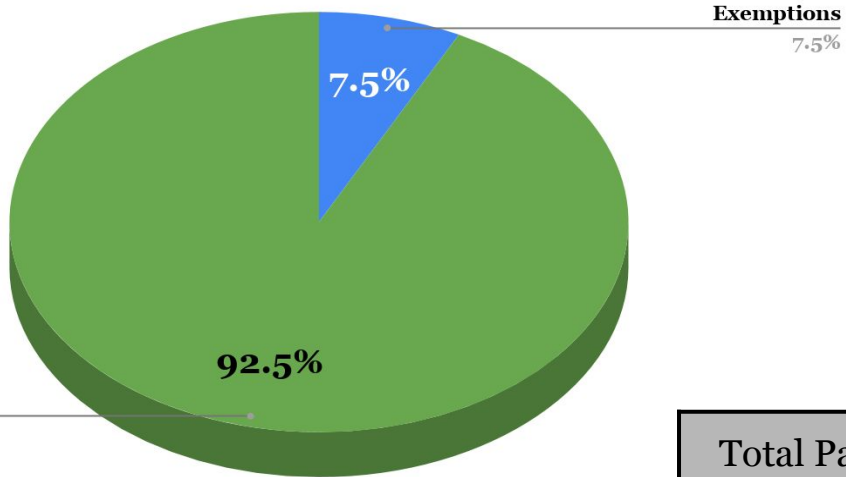
Measure N

2nd Interim Report 2018-2019



Measure N Parcel Tax Revenue Report

Parcel Tax Oversight Committee
Board Adopted FY 2018-2019



Assessed Parcels
92.5%

Exemptions
7.5%

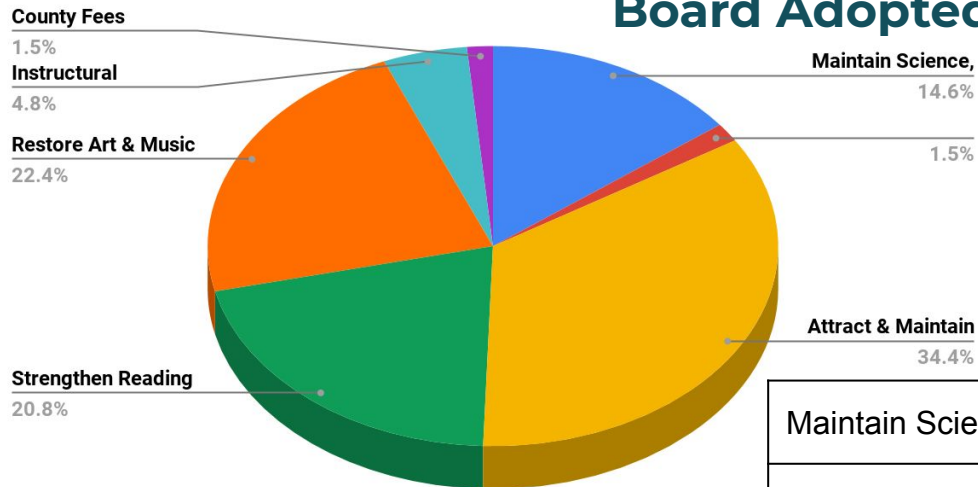
Total Parcels	Exemptions	Assessments
7,393	552	6,841
Parcel Tax	Proj. Rev.	Fee/Parcel
\$97	\$663,577	\$1.42



Measure N Parcel Tax Expenditure Budget

Parcel Tax Oversight Committee

Board Adopted FY 2018-2019



POTENTIAL LOCAL FUNDING MEASURE

To maintain high-quality education in Millbrae schools, the Board of Trustees is considering placing a local school parcel tax measure on the June ballot to provide locally-controlled funding that could not be taken away by the State. Although no final decisions have been made, the measure may cost \$97 per parcel and generate approximately \$700,000 per year, for five years, for our schools. A potential measure could:

- Maintain 21st-century, hands-on science labs, technology, engineering and math instruction
- Attract and retain qualified teachers
- Strengthen reading and writing programs
- Restore art and music programs
- Provide classroom computers and instructional technology

Maintain Science, Tech, Eng & Math Instruction	\$107,060	14.6%
Attract and Retain Qualified Teachers	\$228,371	34.4%
Strengthen Reading & Writing Programs	\$138,135	20.8%
Restore Art and Music Programs	\$148,643	22.4%
Classroom Computers & Instruction	\$31,654	4.8%
San Mateo County Assessor's Fee	\$9,714	1.5%




Measure N - Parcel Tax	Adopted Budget	1st Interim	2nd Interim	Unaudited Actuals
FY 2018-2019	FY 2018-2019	As of 10/31/2019	As of 01/31/2019	As of 06/30/2019
Projected Revenue	\$663,577	\$663,577	\$663,577	
Revenue Received	\$0	\$0	\$401,144	
EXPENDITURES				
Science,Tech,Eng & Math Instruction	\$107,060	\$19,412	\$48,530	
Attract and Retain Qualified Teachers	\$228,371	\$45,674	\$114,186	
Strengthen Reading and Writing	\$138,135	\$0	\$0	
Restore Art and Music Programs	\$148,644	\$29,729	\$74,322	
Classroom Computers & Instructional Tech	\$31,653	\$0	\$0	
Administrative Costs	\$9,714	\$0	\$0	
TOTAL EXPENDITURES	\$663,577	\$94,815	\$237,038	
Restricted Fund Balance				
Beginning Balance	\$0	\$0	-\$94,815	
Ending Balance	\$0	-\$94,815	\$164,106	





Importance of Reserves



- 
- Increasing or decreasing enrollment scenarios
 - Forecasted revenue growth versus projected expenditure increase
 - To front expenditures prior to reimbursement or receipt of funds (Federal programs / Measure N)
 - Cash flow requirements - need and expense of short-term borrowing (TRANS)
 - Savings for future one-time planned expenditures (Capital and other large expenditures)
 - Protection against unanticipated or unbudgeted expenditures (Emergencies)
 - Increasing mandated or required expenditures (Special Education)
 - Credit ratings and long term borrowing needs (Bond programs)



Ending Fund Balance

Remember: EFB is not the cash balance !!!!!

March 19, 2019

Projected 2018/19 Ending Fund Balance	\$4,496,475
Revolving Cash	\$2,500
Insurance/Supplement	\$79,219
Committed	\$48,197
1-Time (Curriculum & Tech. 18/19 Funds)	\$435,022
Assigned - 19/20 DEFICIT	\$305,219
Assigned - 20/21 DEFICIT	\$562,493
Designation for Econ. Uncert. 0.5% of Exp (B. Policy)	\$134,018
3% Required Reserve	\$805,014
Unassigned EFB	\$2,124,794

2nd Interim Report FY 2018-19

<i>"Notes behind the numbers"</i>
Revolving Cash
Ins Deductible \$20,000: Supplemental Expenses \$59,219
Board Resolution on Facility debt paydown
This Fiscal Year 1-time funding \$184 per ADA
Projected deficit for Fiscal Year 2019-20
Projected deficit for Fiscal Year 2020-21
Board Policy: 17% Reserves - 0.5% of Expenditures
Required: (Note: approx. 2 weeks of payroll)
Unappropriated

Impact of Measure N



	With				With Out			
	FY 2018-19 2nd Interim	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected	FY 2018-19 2nd Interim	FY 2019-20 Projected	FY 2020-21 Projected	FY 2021-22 Projected
	Year 1 Measure N	Year 2 Measure N	Year 3 Measure N	Year 4 Measure N	Year 1 Measure N	Year 2 Measure N	Year 3 Measure N	Year 4 Measure N
Net Rev Less Exp.	-\$142,521	-\$305,219	-\$562,493	-\$900,000	-\$806,098	-\$930,219	-\$1,187,493	-\$1,525,000
Beginning Fund Balance	\$4,638,997	\$4,496,476	\$4,191,257	\$3,628,764	\$4,638,997	\$3,832,899	\$2,902,680	-\$1,187,493
Non Spendable	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Assigned	\$1,381,953	\$1,072,296	\$512,536	\$0	\$1,381,593	\$1,072,296	\$512,536	\$0
3% EU	\$805,014	\$783,337	\$792,100	\$800,000	\$805,014	\$783,337	\$792,100	\$800,000
Add'l EU (BP)	\$134,018	\$263,598	\$394,544	\$524,544	\$134,018	\$263,598	\$394,544	\$524,544
Committed	\$48,197	\$74,495	\$95,490	\$115,000	\$48,197	\$74,495	\$95,490	\$115,000
Unassigned	\$2,124,794	\$1,995,031	\$1,831,594	\$1,286,720	\$1,604,098	\$848,975	\$60,538	-\$1,525,000
Ending Fund Balance	\$4,496,476	\$4,191,257	\$3,628,764	\$2,728,764	\$3,832,899	\$2,902,680	\$1,715,187	-\$2,712,493





School District's Certification



- **Positive Certification**: The District **WILL MEET** their financial obligations for the current and two (2) subsequent fiscal years, OR
- **Qualified Certification**: The District **MAY NOT MEET** their financial obligations for the current or two (2) subsequent fiscal years, OR
- **Negative Certification**: The 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 balances in any year)

RECOMMENDATION

It is recommended that the Board:

1. Forward a **POSITIVE CERTIFICATION** to the County Superintendent that the District can meet its financial obligations through the end of the fiscal year and for the subsequent two years, along with the budget revisions listed in the projected year totals.
2. Approve the budget revisions listed in the projected year totals.

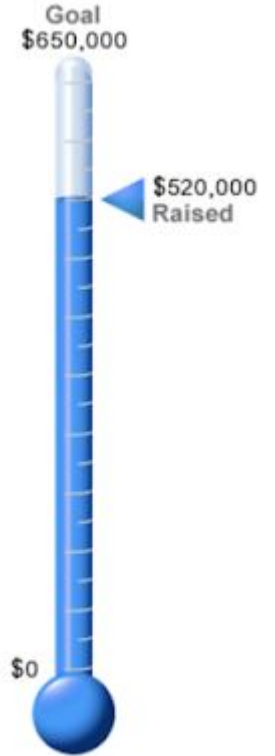


Final Shout Out!



www.millbraekids.org

Total MEF Grant Revenue for 2018-2019		\$525,000
S	• STEAM Innovation Coach <i>full time this year</i>	\$105,288
	• STEAM Elective @ Taylor <i>new this year</i>	\$19,141
T	• Tech Integration Coach	\$94,967
	• Tech Integration Coach & Instruction <i>enhanced this year</i>	\$118,708
A	• Choral and instrumental music program	\$100,204
	• Band Instruction (4-5 th)	\$49,904
	• Zero Period (6-8th)	\$21,542
SEL	• Legarza (Teamwork & Character Education) <i>enhanced</i>	\$15,246





Next Steps



Next Steps

- District will present 2019-2020 proposed budget
- Notes from our meetings will be synthesized and provided to our Board of Trustees
- **Next Meeting Thursday, June 20, 2019 @ District Office
5:30 pm - 7:00 pm**



