



San Mateo-Foster City School District Board of Trustees Meeting December 6, 2018

Presented by

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- **Review of the San Mateo-Foster City School District's (District) current budget information as of Adopted Budget, including the multiyear projection (MYP)**
 - **Examination of Property Tax and Local Control Funding Formula (LCFF) factors**
 - **Verification of one-time revenue and expenditure sources**
 - **Review of budget assumptions for salaries and benefits**
 - **Review of budget assumptions for materials and supplies**

What Is a Budget?

- **A budget is a projection based on assumptions anchored in current conditions**
 - **As the conditions change, so will the numbers**
- **The accumulation of assumptions generates the current budget**
- **Assembly Bill 1200 requires that all districts in the state of California prepare a current budget, along with the two subsequent years, based on current conditions**
- **A budget is not a prediction, nor is it a forecast**

Multiyear Projection

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MULTI-YEAR PROJECTION									
	Year 1			Year 2			Year 3		
	2018-19 Adopted Budget			2019-20 Projection			2020-21 Projection		
	Unrestricted	Restricted	Unr/Rest	Unrestricted	Restricted	Unr/Rest	Unrestricted	Restricted	Unr/Rest
LCFF/Property Taxes	102,178,356	5,542,500	107,720,856	106,557,024	5,542,500	112,099,524	111,162,225	5,542,500	116,704,725
Federal Revenue	-	4,246,312	4,246,312	-	3,911,068	3,911,068	-	3,911,068	3,911,068
Other State Revenue	2,198,985	9,827,898	12,026,883	2,198,985	5,876,873	8,075,858	2,198,985	5,881,948	8,080,933
Other Local Revenue	4,576,240	1,011,780	5,588,020	4,688,446	1,025,073	5,713,519	4,804,018	1,036,349	5,840,367
Total	108,953,581	20,628,490	129,582,071	113,444,455	16,355,514	129,799,969	118,165,228	16,371,865	134,537,093
Certificated Salaries	50,636,529	11,313,147	61,949,676	51,175,167	11,401,039	62,576,206	52,038,653	11,608,491	63,647,144
Classified Salaries	9,437,420	6,437,667	15,875,087	9,594,504	6,551,976	16,146,480	9,754,730	6,668,571	16,423,301
Employee Benefits	19,778,133	10,929,654	30,707,787	21,465,321	11,339,852	32,805,173	22,584,800	11,729,566	34,314,366
Books & Supplies	1,789,223	1,317,540	3,106,763	1,779,223	773,139	2,552,362	1,779,223	772,282	2,551,505
Operating Expenses	9,037,197	13,794,205	22,831,402	8,537,631	11,878,873	20,416,504	8,548,925	11,833,436	20,382,361
Capital Outlay	-	1,566,000	1,566,000	-	10,000	10,000	-	10,000	10,000
Other Outgo	-	1,359,811	1,359,811	-	1,359,811	1,359,811	-	1,359,811	1,359,811
Direct/Indirect Costs	(313,234)	101,752	(211,482)	(313,234)	101,752	(211,482)	(313,234)	101,752	(211,482)
	90,365,268	46,819,776	137,185,044	92,238,612	43,416,442	135,655,054	94,393,097	44,083,909	138,477,006
Transfer In	750,000	-	750,000	750,000	-	750,000	750,000	-	-
Transfer Out	(826,836)	(32,450)	(859,286)	(826,836)	(32,450)	(859,286)	(826,836)	(32,450)	(859,286)
Contributions to Restricted	(26,295,243)	26,295,243	-	(27,405,007)	27,405,007	-	(28,049,259)	28,049,259	-
Increase/Decrease In Fund Balance	(7,783,766)	71,507	(7,712,259)	(6,276,000)	311,629	(5,964,371)	(4,353,964)	304,765	(4,799,199)
Beginning Fund Balance	33,208,250	8,913,050	42,121,300	25,424,484	8,984,557	34,409,041	19,148,484	9,296,186	28,444,670
Non Spendable	80,288		80,288	80,288		80,288	80,288		80,288
Restricted		8,913,050	8,913,050		8,984,557	8,984,557		9,296,186	9,296,186
Committed			-			-			-
Assigned	17,061,536		17,061,536	10,877,336		10,877,336	6,354,054		6,354,054
Unassigned	8,282,660	-	8,282,660	8,190,860		8,190,860	8,360,178		8,360,178
Ending Fund Balance	25,424,484	8,984,557	34,409,041	19,148,484	9,296,186	28,444,670	14,794,520	9,600,951	24,395,471

Local Control Funding Formula/Property Taxes

- **The LCFF/Property Taxes account for 94% of the District's unrestricted revenues**
 - **Incorporates information from county assessor**
 - **Layers on assumptions for average daily attendance (ADA) and statewide factors that are outside of the District's control**
- **The District's assumptions at the time used a projected increase in secured property taxes of 5% annually, which reflects the annual average historical growth**

- **The state of California has provided historically large amounts of one-time funding for K-12 education**
 - **In 2016-17, the state provided \$214 per ADA – approximately \$2.4 million for the District**
 - **In 2017-18, the state provided \$147 per ADA – approximately \$1.7 million for the District**
 - **In 2018-19, at the time the District budget was adopted, the state estimated \$344 per ADA – approximately \$3.9 million for the District**
- **The District appropriately included the latter amount in its Adopted Budget and MYP**
- **Once the state finally adopted its 2018-19 budget, the one-time funding for 2018-19 was reduced to \$184 per ADA – approximately \$2.1 million for the District**
 - **This change should be reflected in the First Interim budget report**

- Districts operate multiple programs which do not receive enough funding from the federal government and/or state of California to operate autonomously
 - Result is District must contribute LCFF dollars to support the programs
- The two primary programs that require support for the District are its Special Education and Routine Restricted Maintenance (RRM) programs
 - 3% contribution to RRM is required beginning in 2019-20
- Increases to the contributions in the current year relate to additional Special Education staffing as well as increased reliance on outside agencies to provide Special Education services

	2016-17	2017-18	2018-19
Contributions	\$15,600,000	\$22,700,000	\$26,300,000

- In 2017-18, 89.8% of the District's unrestricted expenditures were on salaries and benefits
- In 2018-19, 88.3% of the District's unrestricted expenditures are projected for salaries and benefits
- The decrease results primarily from the fact that negotiations are not settled for 2018-19
 - Also, the settlement for 2017-18 included a salary payment related to 2016-17 as both years were settled during 2017-18

Materials, Services, and Capital Outlay

- The remaining portion of the budget is earmarked for materials, services, and capital outlay projects including the following items:
 - Instructional materials
 - Utilities
 - Insurance

	2016-17	2017-18	2018-19
Materials and Services	\$ 7,600,000	\$ 9,100,000	\$ 10,800,000

- The unrestricted reserve balance for a school district provides continuity in programs during economic downturns and/or unexpected expenditures during the year
- The District, resulting primarily from the lost parcel tax, expended 12% of its unrestricted fund balance in 2017-18
 - Minimizing deficit spending going forward needs to be a primary goal when considering fiscal solvency

	2017-18
Beginning Unrestricted Fund Balance	\$41,738,531
Deficit Spending	(\$4,952,675)
Ending Unrestricted Fund Balance	\$36,785,856

- **A budget is a projection based on assumptions anchored in current conditions**
 - **It is not a prediction, nor a forecast**
- **At the time the adopted budget was compiled and approved, the District used reasonable assumptions anchored in current economic conditions**
- **As the District prepares its First Interim report, the following assumptions should be reviewed to ensure they reflect the most recent information:**
 - **Property tax estimates**
 - **One-time funding sources**
 - **Salary and benefit estimates – update for vacancy savings**
 - **Contributions to Special Education**

- **Governor-elect Gavin Newsom will unveil his first Budget proposal with the release of the 2019-20 Governor's Budget in January**
- **Jerry Brown is termed out after eight years in office**
 - **Districts have become accustomed to relatively stable budget projections between January, May, and June**
 - **Districts have also become accustomed to one-time funds**
 - **Only time will tell if the path that Jerry Brown carved will continue with Gavin Newsom**

- **Comparative data points using information provided by the districts**
 - **Annual Unaudited Actuals submission for financial data**
 - **Annual J-90 submission for salary data**
- **The lists are divided into two groups—one is geographic and the other incorporates districts statewide**
 - **The geographic list was compiled by choosing the districts which met the confines of the statement from Article 5 of the agreement between the District and the San Mateo Education Teachers Association (SMETA)**
 - **The statewide list includes all elementary school districts between 5,000 ADA and 20,000 ADA with a unduplicated pupil percentage (UPP) between 30% and 50%**
- **2016-17 is the most recently available state-certified data**



- Geographic list of LCFF districts

Geographic Comparables – 2016-17		
District	UPP	ADA
Bayshore ESD	72%	361.91
Brisbane SD	28%	450.65
Burlingame SD	23%	3,387.77
Cabrillo Unified School District (USD)	45%	3,152.51
Jefferson Elementary School District (ESD)	73%	6,078.06
Millbrae SD	37%	2,365.80
Pacifica SD	25%	3,017.41
Ravenswood City SD	95%	2,912.32
Redwood City School District (SD)	61%	7,631.74
San Bruno Park SD	50%	2,543.53
San Carlos SD	8%	859.71
<i>San Mateo-Foster City SD</i>	39%	11,565.01
South San Francisco USD	47%	8,474.11

Source: 2016-17 state-certified reports: J-90, California Basic Educational Data System (CBEDS), Standardized Account Code Structure (SACS)

Comparability Analysis – Demographics

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- The statewide list includes all elementary school districts between 5,000 ADA and 20,000 ADA with a UPP between 30% and 50%

Statewide Comparables – 2016-17		
District	UPP	ADA
Alta Loma SD	38%	5,798.41
Brentwood Union SD	30%	8,787.35
Dry Creek Joint ESD	44%	6,633.74
Etiwanda SD	41%	13,768.39
Evergreen SD	42%	11,563.63
Fountain Valley SD	30%	6,212.30
Menifee Union SD	49%	9,730.20
Newhall SD	45%	6,502.40
Ocean View SD	48%	8,226.85
Pleasant Valley SD	31%	6,308.01
Rosedale Union SD	30%	5,608.12
Roseville City SD	32%	10,466.87
<i>San Mateo-Foster City SD</i>	39%	11,565.01
Santee SD	43%	6,549.05
Sunnyvale SD	49%	6,326.82
Westside Union SD	48%	9,055.30

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Comparability Analysis – Unrestricted Revenue

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- The District ranks 10 of 13 and is well beneath the geographic comparative group average. The lower-than-average revenues means that the District has to either allocate resources in a more efficient way or generate additional resources to maintain competitive salaries and benefits.

Unrestricted General Fund Revenues for 2016-17 (Geographic)		
Rank	District	Current-Year Total Revenue Per ADA
1	Brisbane SD	\$12,202.14
2	Ravenswood City SD	\$11,415.73
3	Redwood City SD	\$10,280.99
4	South San Francisco USD	\$10,152.23
-	All Elementary School Districts Average	\$9,887.31
5	Bayshore ESD	\$9,777.70
6	Jefferson ESD	\$9,609.87
-	Comparative Group Average	\$9,598.78
7	San Bruno Park SD	\$9,122.79
8	Cabrillo USD	\$8,945.92
9	Burlingame SD	\$8,782.48
10	<i>San Mateo-Foster City SD</i>	<i>\$8,748.23</i>
11	Millbrae SD	\$8,461.24
12	Pacifica SD	\$8,331.57
13	San Carlos SD	\$8,280.31

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Comparability Analysis – Unrestricted Revenue

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- The District fares better when comparing available resources with similar elementary school districts statewide that serve similar demographics

Unrestricted General Fund Revenues for 2016-17 (Statewide)		
Rank	District	Current-Year Total Revenue Per ADA
1	Sunnyvale SD	\$11,264.43
-	All Elementary School Districts Average	\$9,887.31
2	Evergreen SD	\$9,135.01
3	Ocean View SD	\$9,027.09
4	Etiwanda SD	\$8,891.58
5	Alta Loma SD	\$8,876.98
6	<i>San Mateo-Foster City SD</i>	<i>\$8,748.23</i>
-	Comparative Group Average	\$8,715.51
7	Santee SD	\$8,610.40
8	Newhall SD	\$8,518.28
9	Pleasant Valley SD	\$8,492.78
10	Westside Union SD	\$8,438.58
11	Dry Creek Joint ESD	\$8,382.79
12	Menifee Union SD	\$8,340.50
13	Fountain Valley SD	\$8,250.13
14	Roseville City SD	\$8,230.72
15	Brentwood Union SD	\$8,221.48
16	Rosedale Union SD	\$8,164.08

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Comparability Analysis – Unrestricted Personnel Expenses

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- For 2016-17, the District ranked near the top in unrestricted personnel salary and benefit expenditures for both geographic and statewide comparative groups, respectively

Unrestricted Personnel Salary and Benefit Expense for 2016-17 (Geographic)		
Rank	District	% of Total Expense, Transfers, & Other Uses
1	Cabrillo USD	90.11%
2	Redwood Foster City SD	89.72%
3	<i>San Mateo-Foster City SD</i>	<i>89.42%</i>
4	Millbrae SD	89.41%
5	Pacifica SD	88.15%
6	Jefferson ESD	86.94%
7	San Carlos SD	86.08%
8	Burlingame SD	83.79%
-	All Elementary School Districts Average	83.32%
-	Comparative Group Average	82.02%
9	Ravenswood City SD	82.60%
10	San Bruno Park SD	81.09%
11	Bayshore ESD	75.26%
12	Brisbane SD	76.80%
13	South San Francisco USD	67.65%

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Comparability Analysis – Unrestricted Personnel Expenses

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- For 2016-17, the District ranked near the top in unrestricted personnel salary and benefit expenditures for both geographic and statewide comparative groups, respectively

Unrestricted Personnel Salary and Benefit Expense for 2016-17 (Statewide)		
Rank	District	% of Total Expense, Transfers, & Other Uses
1	Evergreen SD	92.87%
2	Ocean View SD	90.36%
3	<i>San Mateo-Foster City SD</i>	<i>89.42%</i>
4	Fountain Valley SD	88.91%
5	Brentwood Union SD	88.57%
6	Menifee Union SD	86.58%
7	Newhall SD	86.21%
-	Comparative Group Average	85.99%
8	Alta Loma SD	85.95%
9	Roseville City SD	85.58%
10	Sunnyvale SD	85.15%
11	Dry Creek Joint ESD	84.86%
12	Rosedale Union SD	84.86%
13	Pleasant Valley SD	83.08%
14	Westside Union SD	82.60%
15	Santee SD	82.19%
16	Etiwanda SD	81.47%

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Comparability Analysis – Expenses by Function

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- The following analysis looks at expenditures based on the function code. The function code represents the nature of service (instruction, pupil services), rather than type of service (salary, books, services, etc.) This is intended to slice the pie in a different manner when analyzing how the District allocates its resources.
- This table includes the entire General Fund rather than just unrestricted as in the previous tables.

Percent of Total Expenditures by Function for 2016-17 (Statewide)					
District		Instruction (0708-1999)	Instruction Related Services (2000-2999)	Pupil Services (3000- 3999)	Ancillary Services (4000-4999)
Evergreen SD		72.24%	11.49%	3.68%	0.03%
Brentwood Union SD		71.45%	9.69%	4.86%	0.13%
Dry Creek Joint ESD		68.30%	9.68%	5.58%	0.22%
Roseville City SD		68.11%	7.77%	6.84%	0.12%
Ocean View SD		67.21%	11.46%	6.34%	0.06%
Comparative Group Average		65.87%	10.17%	6.58%	0.05%
Pleasant Valley SD		65.71%	10.90%	5.24%	0.03%
Santee SD		65.11%	8.60%	6.10%	0.00%
Newhall SD		64.50%	11.71%	5.54%	0.00%
Alta Loma SD		64.45%	10.22%	5.48%	0.00%
Fountain Valley SD		64.45%	11.24%	6.21%	0.08%
Etiwanda SD		63.88%	8.13%	8.47%	0.00%
Menifee Union SD		63.08%	12.23%	7.38%	0.00%
Sunnyvale SD		62.87%	12.15%	8.83%	0.00%
Westside Union SD		62.51%	9.49%	8.09%	0.12%
All Elementary School Districts Average		62.41%	10.76%	6.86%	0.24%
San Mateo-Foster City SD		61.90%	10.83%	5.95%	0.16%
Rosedale Union SD		60.03%	8.93%	9.39%	0.00%
Difference Above/ Below	Comparative Group Average	-3.97%	0.66%	-0.63%	0.11%
	All Elementary School Districts Average	-0.51%	0.07%	-0.91%	-0.08%

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Comparability Analysis – Expenses by Function

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- The category with the largest deviation from the average is Plant Services, and the cause includes a one-time network refresh with a cost of nearly \$5.3 million

Percentage of Total Expenditures by Function for 2016-17 (Statewide)					
District		Community Services/Enterprise (5000-5999)	General Admin (7000-7999)	Plant Services (8000-8999)	Other Outgo (9000-9999)
Alta Loma SD		2.90%	5.95%	9.62%	1.37%
Etiwanda SD		2.85%	4.03%	7.77%	4.87%
Comparative Group Average		0.49%	5.45%	8.87%	2.50%
Santee SD		0.41%	6.43%	9.41%	3.94%
All Elementary School Districts Average		0.33%	6.10%	9.56%	3.73%
Menifee Union SD		0.10%	5.82%	9.81%	1.58%
Pleasant Valley SD		0.09%	6.99%	7.84%	3.20%
Ocean View SD		0.00%	5.90%	8.17%	0.85%
Westside Union SD		0.00%	5.90%	12.59%	1.30%
Brentwood Union SD		0.00%	4.82%	7.97%	1.09%
Rosedale Union SD		0.00%	5.92%	11.87%	3.86%
Newhall SD		0.00%	6.52%	9.09%	2.65%
Fountain Valley SD		0.00%	5.70%	9.07%	3.26%
Roseville City SD		0.00%	4.97%	9.37%	2.82%
<i>San Mateo-Foster City SD</i>		<i>0.00%</i>	<i>5.14%</i>	<i>12.56%</i>	<i>3.47%</i>
Evergreen SD		0.00%	3.70%	6.86%	1.99%
Sunnyvale SD		0.00%	7.45%	8.26%	0.43%
Dry Creek Joint ESD		0.00%	4.36%	7.40%	4.45%
Difference Above/ Below	Comparative Group Average	-0.49%	-0.31%	3.69%	0.97%
	All Elementary School Districts Average	-0.33%	-0.96%	3.00%	-0.26%

Source: 2016-17 state-certified reports: J-90, CBEDS, SACS

Comparability Analysis Conclusion

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- The comparative data points listed on the previous slides tell the story of the District
- When compared against geographically close and similarly funded districts the data shows:
 - The District receives a lower amount of unrestricted revenue than many of its state-aid geographic neighbors
 - The District spends an above-average amount on personnel costs when compared with its state-aid geographic neighbors and similarly sized districts statewide
 - Conversely, the District spends a below-average amount on books, supplies, and other services



